

A.L. 1. 965  
C.2

1997/98  
ANNUAL  
REPORT

**Alberta**  
TRANSPORTATION  
AND UTILITIES



## 1.0 PREFACE

The Public Accounts of Alberta are prepared in accordance with the Financial Administration Act and the Government Accountability Act. The Public Accounts consist of the Annual Report of the Province of Alberta and the Annual Reports of each of the 18 Ministries. Commencing this fiscal year, Ministry Annual Reports required under the Government Accountability Act replace volumes 2, 3, and 4 of the Public Accounts prepared in previous years.

The Annual Report of the Province of Alberta contains the consolidated financial statements of the province and a comparison of the actual performance results to desired results set out in the government's Business Plan, including a message from the Provincial Treasurer. The province's audited consolidated financial statements include the accounts of government entities consisting of departments (all departments combined form the General Revenue Fund), revolving funds, the Alberta Heritage Savings Trust Fund and other regulated funds, provincial agencies and Crown-controlled corporations.

**This Annual Report of the Ministry of Transportation and Utilities contains the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the Ministry's Business Plan, including a message from the Minister. The Ministry's audited consolidated financial statements include the accounts of the Department of Transportation and Utilities, and its revolving funds. The financial statements of each of these component entities of the Ministry are also included in this Annual Report.**

**This Annual Report includes, either as a separate report or as part of the financial statements, the reports or statements prepared pursuant to the Financial Administration Act, to the extent that the Ministry has anything to report. A summary of expenditures under each appropriation in the Ministry, as required by the Government Accountability Act, is included in the financial statements of the department.**

**Financial information relating to the Transportation Revolving Fund and the Gas Alberta Operating Fund is also included in this Annual Report as supplementary information.**





Digitized by the Internet Archive  
in 2014

[https://archive.org/details/albertatransport199697\\_0](https://archive.org/details/albertatransport199697_0)


## 2.0 TABLE OF CONTENTS

	<b>Page</b>
1.0 Preface	1
2.0 Table of Contents	2
3.0 Minister's Accountability Statement	3
4.0 Message from the Minister	4
4.1 Introduction	4
4.2 Our Mission and Vision	5
4.3 The Year in Review	6
5.0 Overview	8
5.1 A Profile of Alberta Transportation and Utilities	8
5.2 An Operational Overview	10
5.3 Key Activities in 1997/98	11
6.0 Results Analysis	13
6.1 Deputy Minister's Message	13
6.2 Goals and Measures	13
6.3 Auditor's Report on Specified Procedures	37
7.0 A Look Forward: Future Initiatives and Challenges	38
8.0 Financial Information	42
8.1 Management's Responsibility Statement	42
8.2 Alphabetical Listing of Entities' Financial Information in Ministry Annual Reports	43
8.3 Financial Statements	47



### 3.0 MINISTER'S ACCOUNTABILITY STATEMENT

The Ministry of Transportation and Utilities Annual Report for the year ended March 31, 1998, was prepared under my direction in accordance with the Government Accountability Act and the government's accounting policies. All of the government's policy decisions as at September 16, 1998 with material, economic or fiscal implications of which I am aware, have been considered in the preparation of this report.



Walter Paszkowski  
Minister of Transportation  
and Utilities  
September 16, 1998





## 4.0 MESSAGE FROM THE MINISTER

### 4.1 Introduction



During the past year, Alberta Transportation and Utilities focused its resources on achieving the goals and strategies identified in our 1997/2000 Business Plan. This Annual Report for the 1997/98 fiscal year outlines how we accomplished these goals and how we measured our performance. This report will also detail how Alberta Transportation and Utilities supports the Government of Alberta's Business Plan and core businesses of *people*, *prosperity* and *preservation*.

Alberta's economy is growing faster than any other province in Canada. In order for this province to continue to be competitive in the international marketplace, an effective transportation system is imperative. In this regard we are undertaking a number of initiatives, such as the North-South Trade Corridor and the North West Transportation and Trade Corridor, that will enhance Alberta's ability to maintain an advantage for industry and all Albertans.

Not only must Alberta's transportation system meet the needs of industry, it must be as safe as possible for the travelling public. In 1997/98, we continued to work with stakeholders on making all drivers more aware of their responsibilities and the rules of the road. We did this through education and awareness programs such as the Traffic Safety Initiative.

Our municipal and private sector partners continue to play an important role in Alberta's economy. Municipalities continue to experience an increase in resource and industrial activities within their communities that require transportation and utilities infrastructure to accommodate their needs. Through initiatives like the September 1997 Alberta Growth Summit, the need for increased funds for infrastructure was identified, resulting in an additional \$100 million being provided by the government for this purpose. Urban and rural municipalities benefited from special one-time funding for infrastructure.

We also continued to work with our private sector partners in developing and improving standards and work processes for the design, construction, and maintenance of our primary highway system.



## 4.2 Our Mission and Vision

### *Our Mission*

Alberta Transportation and Utilities contributes to Alberta's prosperity and economic development by ensuring the provision of:

- an effective transportation system;
- essential utility services to rural areas; and
- disaster and emergency services.

### *Our Vision*

Alberta Transportation and Utilities supports the government's theme of strong financial management. We are a smaller organization, focused on ensuring the provision of the best value transportation and utility services and infrastructure. We are doing this by:

- using innovative partnerships to provide services and infrastructure;
- using sound business principles and technologies to assess investment and set priorities;
- providing leadership to produce the greatest return for transportation and utility investments;
- using objective performance measures to manage our own activities as well as those of our partnerships; and
- developing new skills to deliver our new role, ensuring that we have capable and motivated staff.

The theme identified in the 1997/2000 Government of Alberta Business Plan was "Building Alberta Together". The government's actions focused on three core businesses: ***People, Prosperity and Preservation***. Alberta Transportation and Utilities' primary role relates to the core business of "preservation". Through the provision of effective and efficient transportation and utility infrastructure, Alberta Transportation and Utilities helps to ensure Alberta's competitiveness in the international marketplace and to enhance tourism. Transportation and utility infrastructure needs are continually monitored to ensure the integrity of the infrastructure and the investment of tax dollars is protected. Initiatives, such as upgrading the North-South Trade Corridor and developing the North West Transportation and Trade Corridor, are implemented as needed to support Alberta's economy and complement the government's core business of "prosperity".

## **4.2 Our Mission and Vision continued...**

In addition, Alberta Transportation and Utilities supports the government's core business of "people". Through projects such as the Traffic Safety Initiative, Alberta Transportation and Utilities works to improve the safety of all Albertans travelling on provincial roadways. As well, through emergency preparedness and disaster response programs provided by Alberta Transportation and Utilities, Albertans are better prepared to deal with real-event emergencies and disasters.

## **4.3 The Year in Review**

1997/98 was another active year for Alberta Transportation and Utilities. Key accomplishments include:

- substantial progress made on upgrading the North-South Trade Corridor. A total of \$70.9 million was spent on the urban and rural portions of the corridor. Key projects such as the completion of the four-laning of Highway 3, the implementation of safety improvements on Highway 2, and the commencement of the interchange on Highway 16 and Secondary Highway 779 were undertaken.
- a one-time \$100 million reinvestment in transportation and utility infrastructure. In recent years, a number of factors including increased truck and tourism traffic from enhanced economic activity, increased truck weights, and reduced dollars available for required maintenance and rehabilitation, have put pressures on Alberta's primary, secondary and local road systems. In response to these pressures and recommendations from the September 1997 Growth Summit, this one-time reinvestment was provided for key initiatives such as the North-South Trade Corridor, and to advance key projects within urban and rural municipalities and rural gas co-ops.
- receiving two Premier's Awards of Excellence honoring department employees for demonstrating improved business practices in managing our highways. The Gold Award was received for the creation of a customized, innovative, measurable and flexible process for designing highways. A Silver Award was also received for the outsourcing of rural primary highway maintenance which resulted in the creation of a new highway maintenance industry in Alberta. The re-engineering of the design process also received an award from the Institute of Public Administration of Canada.
- completion of the first full year of outsourcing primary highway maintenance.
- a survey, conducted in July 1997, which indicated that the first full year of the Traffic Safety Initiative excelled in areas of information, awareness and education.



### **4.3 The Year in Review continued ...**

- tabling of five Bills during the 1998 Spring Session of the Legislature which began in January 1998. New bills included the Dangerous Goods Transportation and Handling Act, Rural Gas Amendment Act (Gas Utilities Act), Railway Act, Canadian Airlines Amendment Act, and Regional Airports Authorities Amendment Act. In addition, through the Miscellaneous Statutes Amendment Act, amendments were made to the Rural Utilities Act and the Central Western Railway Corporation Act was repealed.
- providing support for a number of disasters including assisting Fort Chipewyan residents to obtain critical supplies after the winter road was closed due to melting; developed the North/Central Disaster Recovery Program to provide disaster aid for flood victims in the Peace River and Fort McMurray areas; and responded to Quebec's and Ontario's urgent requests for generators to assist in providing emergency power needed as a result of the January 1998 ice storms.
- outsourcing of the rural electrification loan portfolio in the fall 1997. Farmers and rural electrification associations now benefit from increased flexibility in the administration of their loans, electronic banking capabilities and enhanced services.
- obtaining approval to proceed with the privatization of Gas Alberta, a natural gas brokerage service. Gas Alberta Inc. will be controlled by its customers through an elected Board of Directors and is scheduled to take control of operations on July 1, 1998.
- participating in a bi-provincial working group with other Alberta Government departments and the British Columbia Government to facilitate development of road, rail and air transportation links connecting Northern Alberta and British Columbia with the Port of Prince Rupert.
- implementing the Partners in Compliance Program on a province-wide basis. This program, which encourages self-regulation of motor carriers, is now being used as a national model for motor carrier deregulation.

I look forward to guiding Alberta Transportation and Utilities through the next business planning cycle. We will continue to work with our stakeholders and partners in identifying the trends, issues and challenges facing Alberta's transportation and utilities systems and will develop strategies to address them. The accomplishments outlined in this annual report would not have been possible without the dedicated and excellent service provided by the staff of Alberta Transportation and Utilities.



Walter Paszkowski  
Minister of Transportation  
and Utilities



## 5.0 OVERVIEW

### 5.1 A Profile of Alberta Transportation and Utilities

Alberta Transportation and Utilities is a multi-faceted department with programs and services that effect virtually every Albertan - from those travelling on Alberta's highways to those impacted by disasters or purchasing natural gas from a rural gas co-operative. 1997/98 was a year of stabilization for AT&U, after significant downsizing and re-engineering during the previous two years. The chart on the following page summarizes, in graphical format, the organization of the department during 1997/98. Key services are also noted.

**Key Department Contacts:** The following key department contacts are all located at the Twin Atria Building, 4999 - 98 Avenue, Edmonton AB T6B 2X3:

Deputy Minister.....Ed McLellan  
Phone: (403)427-2081.....Fax: (403)465-1135

Finance and Administration Division.....Ray Reshke  
Assistant Deputy Minister  
Phone: (403)427-0142.....Fax: (403)465-1135

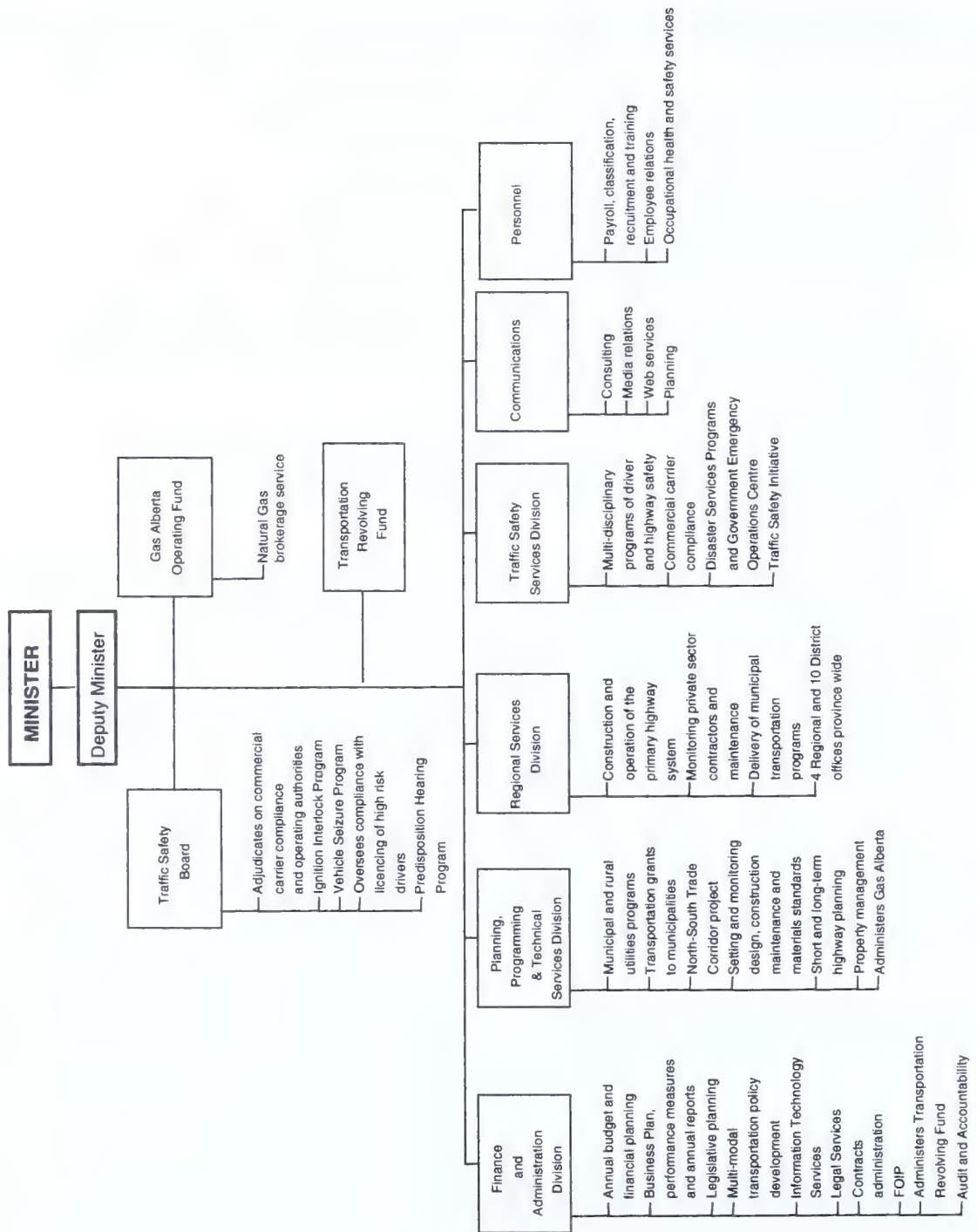
Planning, Programming and Technical Services Division.....Jay Ramotar  
Acting Assistant Deputy Minister  
Phone: (403)427-6912.....Fax: (403)415-1268

Regional Services Division.....Lyle O'Neill  
Assistant Deputy Minister  
Phone: (403)427-7215.....Fax: (403)422-6515

Traffic Safety Services Division.....Gary Boddez  
Assistant Deputy Minister  
Phone: (403)415-1146.....Fax: (403)415-0782

The department also has four regional offices and 10 district offices. Below are the phone numbers for each regional office:

Southern Regional Office (Lethbridge).....	Phone: (403)381-5426
Central Regional Office (Red Deer).....	Phone: (403)340-5166
North-Central Regional Office (Barrhead).....	Phone: (403)674-8221
Peace Region Regional Office (Peace River).....	Phone: (403)624-6280



## **5.2 An Operational Overview**

### **Core Businesses**

Alberta Transportation and Utilities achieves its mission and vision through the effective management of its three core businesses:

- ensuring public safety;
- preserving the public's investment in the transportation infrastructure; and
- supporting Alberta's economic development and prosperity.

### **Key Program Areas**

Eight key program areas support Alberta Transportation and Utilities' mission, vision and core businesses.

*Road, Driver and Vehicle Safety:* monitoring motor transport compliance with commercial weight, dimension and mechanical safety requirements; motor vehicle standards and safety; driver education and testing; licence enforcement; and impaired driving programs.

*Dangerous Goods Control:* setting standards and monitoring the safe in-transit storage and shipment of dangerous goods within Alberta.

*Disaster and Emergency Services:* providing support to ensure municipalities are prepared, trained and ready to deal with emergencies and disasters; and managing provincial response programs to real-event disasters and emergencies.

*Primary Highway System:* managing the design, construction, operation and maintenance of primary highways and bridges.

*Transportation Partnerships:* providing financial support to municipalities to ensure well developed and integrated urban highway and truck routes, secondary highways and local roads.

*Partnerships for Municipal and Rural Utilities:* providing financial support for essential utility services (water/wastewater, rural gas and electric).

*Efficient Multi-modal Transportation:* influencing national and international policy in rail, air, passenger, ports/marine, and border crossing services.

*Ancillary Programs:* managing the construction, operation and maintenance of rest areas and vehicle inspection stations, which complement the primary highway system.



### **5.3 Key Activities in 1997/98**

A number of key ministry activities and accomplishments have been outlined under section 4.3 of this report. This section focuses on some of the corporate initiatives that took place to increase efficiencies in our operations. As well, an update on the department's progress in meeting the information technology challenge for the Year 2000 is included.

#### **Corporate Initiatives**

- Consolidated all traffic safety responsibilities under one Assistant Deputy Minister, which streamlined operations and provided a one-window approach for stakeholders.
- Implemented a new design process for primary highways. The re-engineering of this process received a Gold Premier's Award of Excellence in June 1997.
- Appointed a project manager for the North-South Trade Corridor. Given the importance of this project to Alberta's growing trade and tourism industries, the manager has overall responsibility to "fast track" development to ensure substantial completion by 2007.
- Completed Phase One of the state-of-the-art Infrastructure Management System. This system will assist in prioritizing and ranking the development, design, construction and rehabilitation needs of the primary highway system.
- Implemented a comprehensive Employee Rewards and Recognition Program. This program is aimed at stimulating initiative and innovation, increasing productivity, and enhancing working conditions.
- Provided substantial support for the development and implementation of the Integrated Management Alberta Government Information System (IMAGIS). In total, seven staff were seconded to Treasury and Public Works, Supply and Services to participate in a number of teams responsible for this government-wide project.
- Continued extensive consultation with our private sector partners to implement province-wide standards that will ensure the effective maintenance of the primary highway system.



### **5.3 Key Activities continued ...**

- Implemented the Centre for Transportation Engineering and Planning. In partnership with a number of consulting engineering firms, the Cities of Edmonton and Calgary, and Alberta Transportation and Utilities, this centre was built to facilitate needed technology transfer between the department and external stakeholders; to open channels to a global body of technical knowledge and practices and maintain Alberta's excellence in transportation engineering; and to obtain results from high quality research work in this field.
- Initiated a review of the department's operations for the purpose of optimizing our processes. A consultant was hired to review how the department manages the programming of its primary highway construction and rehabilitation projects. Consultation took place with the Alberta Roadbuilders and Heavy Construction Association and the Consulting Engineers of Alberta to identify issues and develop strategies for the implementation of improved processes. This review resulted in a commitment by the department to improve the timelines of project tendering, and the identification of the need for some restructuring within the department.

#### **Year 2000 Compliance**

The objective of the Year 2000 project is to prepare the computer systems at Alberta Transportation and Utilities for a successful transition to the Year 2000. The project uses a proven methodology to complete the Year 2000 analysis and conversion of systems identified within Alberta Transportation and Utilities' inventory. Industry standards are being used to perform inventory assessment, analysis, conversion and testing.

Each system has been assigned a priority for the Year 2000 system conversion. External interfaces were identified, and communication with external stakeholders was initiated. Proprietary systems were identified, and communications with the associated service providers began. During the 1997/98 fiscal year, twenty systems were investigated for the Year 2000 compliance through a line-by-line code analysis. Based on the results, conversion and/or testing will be completed during the next fiscal year.




## 6.0 RESULTS ANALYSIS

### 6.1 Deputy Minister's Message

During the 1997/98 fiscal year, increased focus was placed on working with our municipal and private sector partners and stakeholders to resolve issues and maintain quality transportation and utilities infrastructure for Alberta.

The following section provides highlights of key initiatives and accomplishments which supported the nine goals outlined in our 1997/2000 Business Plan. The details included in this report are intended as a summary of our activities for 1997/98.

I am pleased with the progress we made during the year; however, we will continue to strive for improvement as we review and refine our goals and performance measures for the next business planning cycle.



E.R. McLellan  
Deputy Minister

### 6.2 Goals and Measures

The following provides details on the goals and strategies outlined in our 1997/2000 Business Plan, and the results we accomplished during the 1997/98 fiscal year.

#### **Goal No. 1: Reinvesting in Strategic Highway Improvements**

Increased economic activity in Alberta is reflected in the growing amount of truck and other traffic travelling on Alberta's highways. Due largely to the Free Trade Agreement and the North American Free Trade Agreement, Alberta's trading patterns have become re-oriented to a north-south pattern. Currently, about half of the goods being exported from Alberta to the United States are shipped by truck.

## 6.2 Goals and Measures continued ...

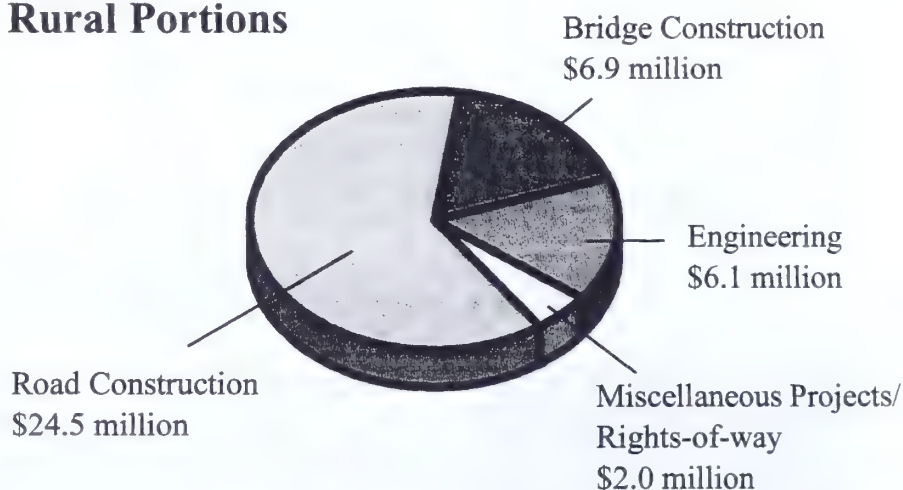
- Twinning the North-South Trade Corridor including urban bottlenecks.

Effective transportation is a key factor for industry in determining the location of their business. An integral part of Alberta's trade strategy is the North-South Trade Corridor (NSTC). This corridor extends from the British Columbia border west of Grande Prairie to the United States border at Coutts. The NSTC is also Alberta's portion of the CANAMEX highway, a trade route that links Canada, the United States and Mexico from Alberta through the western states. The northern portion of this corridor also links to the Alaska highway. Substantial completion of this corridor is anticipated by 2007 at an estimated total cost of \$800 million (1996 dollars).

In addition to the construction projects, a significant amount of engineering began, especially on the portion of the corridor north of Edmonton. Purchase of land and rights-of-way commenced on the Highway 43 portion, and a number of projects were tendered.

The following summarizes the dollars spent on the corridor in 1997/98, excluding the grants provided to the cities for upgrading portions of the corridor within the urban centres:

### Rural Portions



The following outlines some of the key projects that were undertaken during 1997/98 on the North-South Trade Corridor.

- The completion of four-laning Highway 3 from east of Pearce to east of Monarch, including a bridge over the Old Man River, two bridges over local roads, and a new bridge structure over westbound lanes on Highway 3.



## **6.2 Goals and Measures continued ...**

- Four-laning on Highway 4 continued with the completion of two projects. A 13 kilometre section from north of Coutts to south of Secondary Highway 501 (west) and a 1.3 kilometre stretch south of Lethbridge were both opened to traffic. Considerable work also started on four-laning an 11.8 kilometre section from south of Secondary Highway 845 to just south of Lethbridge. A good portion of the grading was completed with the surfacing to take place in 1998. As well, a grading contract of 17.2 kilometres from north of Warner to south of New Dayton was started with good progress being made. This project will be completed in 1998 with the surfacing component to be undertaken in subsequent years.
- A major safety improvement was made on Highway 2 from south of the Auction Mart Access to north of Aldersyde. On this 4.5 kilometre section of highway, the existing four-lane undivided roadway was reconstructed to a four-lane divided with a depressed median and the addition of a major bridge structure over the Highwood River.
- A significant start was made to the interchange at Highway 16 and Secondary Highway 779. This interchange is scheduled for completion in 1998.
- Approximately 150 kilometres of tree and brush clearing was done along the proposed new four-laning of Highway 43 between Valleyview and Whitecourt. This will help the department in the survey and design phase of upcoming twinning projects along this route.

During 1997/98, key projects undertaken within the urban centres included four-laning of Highway 2 in Grande Prairie; the extension of Anthony Henday Drive in Edmonton; construction of Stage 1 of Stoney Trail in Calgary; and four-laning of Highway 4 in Lethbridge. In addition, AT&U worked with these cities on negotiations for future projects to be undertaken in 1998 and beyond.

## 6.2 Goals and Measures continued ...

### Performance Measure

#### North-South Trade Corridor

This measure is defined as the percentage of the rural portion of the North-South Trade Corridor that is twinned. The total length of the corridor is 1,175 kilometres, of which nearly 100 kilometres are within the urban areas and the remainder in rural Alberta. The North-South Trade Corridor initiative was announced in 1996/97, therefore, no reporting is provided prior to that time. As of March 31, 1998, approximately 537 kilometres had been twinned, an increase of nearly 22 kilometres from the time the corridor initiative was announced. In the future, this measure will include the status of the urban portion of the corridor and will also measure work in progress.

1997/98	
Target	Results
49.7	49.8

- Undertake strategic improvements to Alberta's primary highways.

In addition to the North-South Trade Corridor initiative, a number of key projects were undertaken on the primary highway system which will help in supporting Alberta's economy in the long term.

- Work commenced on the construction of an interchange at the junction of Highway 14 and Whitemud Drive. This interchange is scheduled for completion in 1998.
- Safety improvements were completed with the widening and reconstruction of an 11 kilometre section of Highway 2A from Wessex to north of Carstairs.
- Safety improvements were made on Highway 37 with curve revisions and access control at the CNR trestle, east of Highway 2.
- Four-laning was completed on a 10.7 kilometre section of Highway 3 from east of Secondary Highway 512 to west of Barnwell.
- Four-laning of an eight kilometre stretch of Highway 1A, just east of the City of Calgary's west city boundary, was constructed to near completion. With a minor amount of work, this project will be open to a twinned standard early in the spring of 1998.

## **6.2 Goals and Measures continued ...**

### **Goal No. 2: Strengthening Rural Transportation Partnerships**

- Widening and intersectional improvements on Highway 28A from Red Deer to Blackfalds were completed.
- Grade widening of Highway 36 north of Viking was completed.
- Two grading projects were completed on Highway 40: an eleven kilometre stretch from north of Luscar to south of Gregg River; and a fourteen kilometre section from Smoky River to south of Smoky River Coal Mine.

Alberta's strong economy has resulted in increased truck and tourism traffic not only on the primary highway system but also the secondary highways and local roads under municipal responsibility. Rural municipalities have been affected by reduced revenues. This has resulted in reduced funding for the effective maintenance of municipal roadways.

With Alberta's increased economic activity, it is critical that secondary highways and local roads connect effectively to the primary highway network to ensure smooth inter-regional traffic flows and efficient links to export markets. In this regard, Alberta Transportation and Utilities provides funding assistance to help municipalities develop an efficient roadway network capable of supporting the requirements of the economy.

The following provides details on the programs and funding provided to rural municipalities (including counties, municipal districts, special areas, Metis Settlements) to assist in the management of their transportation systems.

- Implement the Resource Roads Improvement Program.

*Resource Roads Improvement Program:* In response to requests from rural municipalities, the Resource Roads Improvement Program was established in 1996, for a three-year term, to assist rural municipalities in improving local roads being damaged by industrial truck traffic. To be eligible, truck traffic must be related to resource industries, gravel pit operations or solid waste disposal sites with a significant portion of the truck traffic being non-local or through trips, or intensive agriculture activities such as feedlots. During 1997/98, \$27.6 million was provided to various rural municipalities under this program.



## **6.2 Goals and Measures continued ...**

- Maintain level of funding for secondary highways and rural roads.

In order to advance priority projects under the Resource Roads Improvement Program, an additional \$6 million was provided from the January 1998 \$100 million re-investment in infrastructure. This additional \$6 million reduced the 1998/99 program needs and allowed rural municipalities to advance their 1998 construction season.

*Infrastructure for New Industry Program:* Over the next few years, it is estimated that some \$26 billion in industrial projects will be built in Alberta, with over 90 percent of these investments locating in rural Alberta where both the forestry and petro-chemical sectors are expanding rapidly. In response to this need, a new program was developed in 1997/98 to assist rural municipalities with project-specific funding in order to provide the infrastructure needed to accommodate new resource and value-added developments. In 1997/98, \$3.75 million was provided to rural municipalities under this program. In addition, \$1.32 million was spent on upgrades to rural primary highways.

*Secondary Highways Partnership Program:* The Secondary Highways Partnership Program has been in place since 1993 and represents a partnership between the province and the municipalities in meeting the demands placed on the secondary highway system. The first priority under this program is the protection of the existing infrastructure. During 1997/98, \$80.1 million was provided under this program. In addition, the municipalities' share of the upgrading to the secondary highway system was \$21.9 million.

*Rural Transportation Grants:* The Rural Transportation Grants are provided annually to all rural municipalities using a formula which takes into account population, equalized assessment, kilometres of open roadway and terrain. Rural municipalities have been struggling to effectively maintain their local road systems in recent years, therefore a need was identified for increased funding.

In total, \$50.6 million was provided to rural municipalities under this program in 1997/98, of which \$29 million was provided as part of the January 1998 re-investment in infrastructure. Of this additional funding, \$7.5 million was provided in special one-time grants to all municipalities; \$7.5 million was distributed to select municipalities which were impacted by unusually wet weather in 1997 that caused extensive damage to local roads; and \$4 million was provided for access roads to Metis Settlements.



## **6.2 Goals and Measures continued ...**

A further \$10 million was advanced to all rural municipalities representing a portion of their 1998 allocation, which allowed them an early start on the 1998 construction season.

*Grants to Transitioning Municipalities:* These grants are provided to newly incorporated rural municipalities (previously improvement districts and municipalities that annexed portions of former improvement districts) which have assumed road authority responsibilities. Funds are committed through specific transitional agreements. In 1997/98, \$16.1 million was provided to these rural municipalities. As well, in January 1998, \$3 million was advanced from the 1998/99 budget as part of the January 1998 \$100 million re-investment in infrastructure.

*Canada/Alberta Infrastructure Works Program:* This initiative represents a partnership between the federal, provincial and municipal governments to provide equal funding for local infrastructure. In February 1997, Alberta was the first province to sign an agreement with the federal government for a \$104 million enhancement to the program, of which \$34.7 million was provided by the province. In total, some \$618 million, including \$514 million from the original program and \$104 million from the enhancement, will be provided for 2,050 projects in urban and rural municipalities. The program should be completed in 2000.

### **Performance Measure**

A performance measure for this goal was in the preliminary development stages during 1997/98. For the 1998/99 fiscal year, a new measure entitled Secondary Highway Pavement Condition will be included in the Business Plan and the Annual Report.

## **6.2 Goals and Measures continued ...**

### **Goal No. 3: Supporting Urban Transportation Partnerships**

- Maintain funding under Alberta Cities Transportation Partnership.

Throughout the 1997/98 fiscal year, Alberta Transportation and Utilities continued to work with the urban centres to ensure that the primary highways and truck routes through the cities continued to be an effective and efficient component of Alberta's overall transportation system. As well, work continued on various urban components of the North-South Trade Corridor.

Although funding under the Alberta Cities Transportation Partnership continued in 1997/98 at the same levels as in the previous year, the cities identified an urgent need for additional monies to properly maintain their infrastructure and ensure that the condition of the urban roadway infrastructure did not deteriorate.

In response to these and other needs, the Government of Alberta announced, in January 1998, an additional \$100 million would be re-invested in transportation and utility infrastructure in order to assist in alleviating a number of urgent needs. Of this amount, \$15 million was provided to the cities (including the Urban Services Areas of Sherwood Park and Fort McMurray) as a special one-time allocation of \$7.50 per capita.

In addition, a further \$10 million was provided to advance a portion of the 1998/99 allocation, enabling the cities an early start on the 1998 construction season. As well, additional monies were also provided to advance urban projects which form part of the North-South Trade Corridor.

The following provides details of the total dollars provided to the seventeen urban centres, including Sherwood Park and Fort McMurray, during the 1997/98 fiscal year:

- Basic Capital Grants: \$75.2 million
- Primary Highway Maintenance Grants: \$4.1 million
- Primary Highway Connectors Grants: \$31.4 million (for the North-South Trade Corridor)

## **6.2 Goals and Measures continued ...**

- Continue the Streets Improvement Program for towns and villages.

Smaller urban centres, including towns, villages and summer villages, were also provided much needed financial assistance to assist with the management of their transportation infrastructure. The Streets Improvement Program provides cost-shared funding to these communities for the construction of lasting capital street improvements. In addition to the original budget allocation of \$10 million, an additional \$5 million was provided under this program to advance priority projects and reduce the backlog of applications. In total, \$15.2 million was provided to 102 towns, villages and summer villages, during the 1997/98 fiscal year.

### **Goal No. 4: Improving Traffic Safety**

Traffic safety continued to be a high priority of Alberta Transportation and Utilities during 1997/98. In this regard, AT&U undertook the following initiatives.

- Early in the year, the department completed a review of traffic safety in Alberta. Key recommendations included:
  - establishing a Traffic Safety Services Division that would be responsible for all traffic safety and motor vehicle related programs;
  - ensuring the application of consistent inspection criteria by partners throughout the province;
  - communicating the results of all carrier inspections to stakeholders on a regular basis; and
  - increasing the number of officers who inspect trucks and school buses.
- Improved communication with our stakeholders was a key step towards achieving this goal. During 1997/98, we actively worked with our partners and the commercial carrier industry across the province to ensure that each party had a clear understanding of their roles and responsibilities relating to traffic safety.



## **6.2 Goals and Measures continued ...**

- Continue to implement the Traffic Safety Initiative.
- The new Traffic Safety Services Division was firmly in place by the end of April 1997. A department restructuring resulted in this new division taking responsibility for all traffic safety issues, including the vehicle and driver programs transferred from Alberta Municipal Affairs and Alberta Justice in 1996, and all existing motor carrier programs, as well as the emergency preparedness and disaster response programs.
- The Traffic Safety Initiative, which began in the Spring of 1996, continued throughout the year. This initiative is a partnership with some 30 stakeholder groups, including police services, the Alberta Motor Association, the Alberta School Bus Contractors Association, the Alberta Student Transportation Advisory Council, the trucking industry, Alberta Health, Education and other special interest partners. Under this initiative the following was accomplished:

The 1997 Summer "Think and Drive" campaign was launched. This seasonal campaign focused on summer traffic safety awareness, such as construction zones, road hazards and speed, plus motorcycle and recreational vehicle safety awareness. In partnership with the RCMP, a pilot project using mobile electronic information boards on Highway 2 was implemented. In addition to the "Share the Road" messages, warning messages on road conditions, collision information, construction delays and general safety messages also appeared on highway signs throughout the province.

Effective August 1, 1997, fines for passing a school bus when the bus has its red lights flashing increased from \$150 to \$300. In addition, drivers now receive six demerit points, up from four demerit points. With this increase, Alberta's penalties for this offence are among the highest in Canada. More than 200,000 students travel twice a day in about 5,500 school buses during the year - their safety is a key priority for Alberta Transportation and Utilities.



## **6.2 Goals and Measures continued ...**

On August 19, 1997, Alberta Transportation and Utilities launched the "Walk the Talk about Back to School Safety". This province-wide program was designed to alert parents, children and educators about the dangers children face on their daily route to school. Walk the Talk encourages parents to walk with their children to school and take note of such things as high traffic areas, crosswalks and busy intersections. The program also provides practical tips and guidelines, including information using the "Point, Pause and Proceed" method for safely crossing the street.

The 1997 Fall Awareness Campaign, also launched in August, was designed to alert Alberta drivers to the positive driving choices they need to make while using Alberta's roadways. The program focused on four traffic safety issues:

1. back to school safety, highlighting school bus and pedestrian safety;
2. risks associated with speeding;
3. increased animal traffic on Alberta roads; and
4. traffic control device violations (i.e., stop signs).

October 20-24, 1997, was School Bus Safety Week in Alberta. The theme of the 1997 School Bus Safety Week was "Partners in Safety... We all have a role. Get with the program!" Activities for the week focused on students, school bus drivers, motorists, and rules of the road related to school bus safety and school bus operations.

The official launch of the Traffic Safety Initiative's "Smart Choices" provincial impaired driving program took place on December 1, 1997. The campaign was designed to help decrease the incidence of drinking and driving in all age categories. Numerous Checkstop points were set up in various areas across the province.

## 6.2 Goals and Measures continued ...

### Performance Measure

Project 43, an integrated community based traffic education project, was developed to enhance the awareness of traffic safety issues and to reduce collisions and fatalities on Highway 43, which is part of the North-South Trade Corridor. This project consists of four components: engineering; community development and education; enforcement; and evaluation; and will continue through 1998.

- Work continued throughout the year on the streamlining and consolidation of all traffic safety legislation, regulations and policies. The existing Highway Traffic Act, Motor Transport Act, Motor Vehicle Administration Act, and Off-highway Vehicle Act, will be combined into the Traffic Safety Act. Discussions and issues resolution continued throughout the year with a number of stakeholder groups.

#### Road Safety (Collision Rates)

This measure is defined as the number of reported collisions occurring annually (by calendar year) on Alberta's roads (urban and rural) per thousand licensed drivers. Reported collisions include all vehicle collisions where damage costs are in excess of \$1,000.

The number of licensed drivers is obtained from the Motor Vehicle Licensing and Registration System administered by Alberta Registries.

This measure has changed from prior years to better reflect meaningful results. Prior year results have, therefore, been restated to reflect this change. This measure now includes results for all Alberta roads, not just the primary highways which were reported in the previous Annual Report.

1995 Results	1996 Results	1997	
		Target	Results
42.7	46.5	42.2	44.7

## **6.2 Goals and Measures continued ...**

The collision rate for 1997 continued to decline from the prior year; however, the target rate was exceeded by 2.5 reported collisions per thousand licensed drivers. Contributing factors continue to be driver actions and increased traffic. Nearly 89 percent of all reported collisions in 1997 were due to driver error. Also contributing to the increased number of collisions is Alberta's growing economy. In 1997 alone, traffic on Alberta's primary highways increased by 7 percent, vehicle registrations increased by 3.5 percent and the number of registered drivers increased by 2.4 percent.

Through the Traffic Safety Initiative, continued focus will be placed on driver education and awareness to ensure all drivers are aware of their responsibilities while operating a motor vehicle. As well, monitoring of current enforcement tools will continue and will be enhanced as needed.

### ***Goal No. 5: Managing the Primary Highway System***

- Maintain the quality of the primary highways through effective standards.

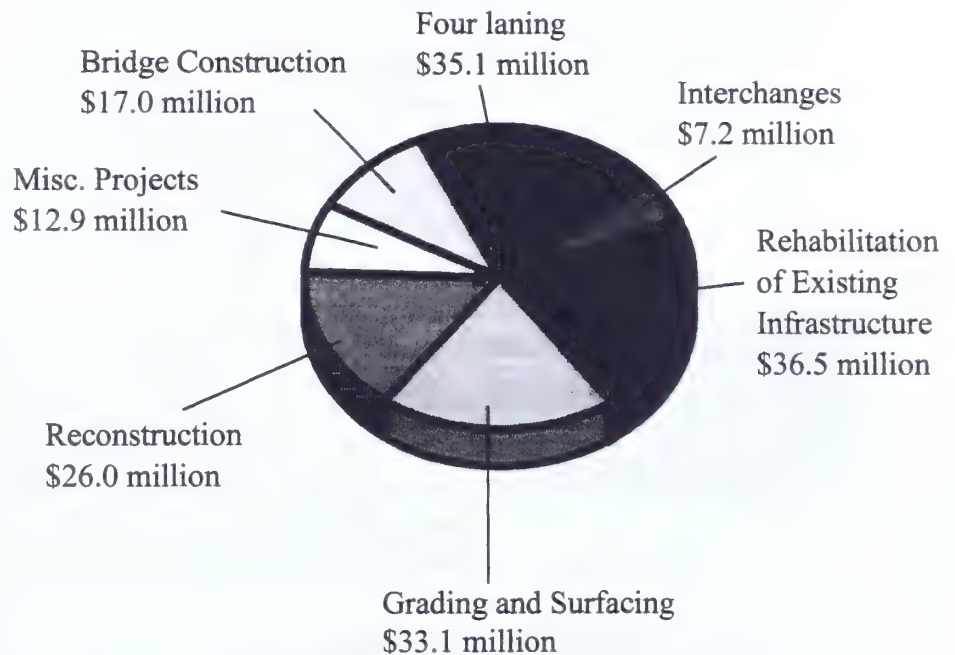
AT&U's number one core business is to provide Alberta with an effective transportation system. Delegates of the September 1997 Alberta Growth Summit agreed that Alberta's infrastructure must be first class to meet the current and future requirements of a competitive, healthy economy and to support growth. To that end, recommendations resulting from the Growth Summit included a call for substantial reinvestment in infrastructure.

Ongoing rehabilitation and upgrading of the pavement infrastructure is required to ensure its integrity. Failure to rehabilitate the highway infrastructure leads to rapid deterioration and ultimately the need for total reconstruction. In order to ensure the system does not deteriorate, Treasury Board approved an additional \$30 million in January 1998 for primary highway rehabilitation. These funds will be used for priority primary highway rehabilitation projects in 1998.



## 6.2 Goals and Measures continued ...

As of March 31, 1998, there were approximately 15,779 two-lane equivalent kilometres of primary highways in Alberta. Of this, 15,045 kilometres are surfaced, including 3,292 kilometres which are four- and six-lane divided and undivided. The primary highway system also consists of 2,221 bridges and 129 major interchanges. The total net value of the primary highway system is approximately \$4 billion. The following chart provides a summary of the dollars spent on the primary highway system during 1997/98.



In total, the department completed work on 1,066 kilometres of primary highways under the following categories:

- grading
- surfacing
- final paving and overlays
- seal coat/chip
- reconstruction
- twinning



## **6.2 Goals and Measures continued ...**

- Develop information technology systems to manage the primary highway system.

### **Performance Measure**

Re-engineering of the process used to design primary highways and bridges was implemented fully in 1997 resulting in 100 percent of the design process being outsourced to the private sector. New roles have been defined for department staff and the private sector. This initiative received a Gold Premier's Award of Excellence in June 1997.

Outsourcing of primary highway maintenance was undertaken using private sector contractors. The primary highway system is divided into thirty contract maintenance areas which are managed by eight private-sector contractors. Extensive consultation was undertaken with our private sector partners to implement province-wide standards and ensure that the primary highway system was effectively maintained. Work continued to adjust the specifications and negotiate extensions for specific contractors.

Phase One of the state-of-the-art Infrastructure Management System (IMS) was completed. This system will assist in prioritizing and ranking the development, design, construction, rehabilitation and maintenance needs of the primary highway system. Testing of IMS Release One began late in the fiscal year with deployment in April 1998. This release establishes the data repository using web technology.

### **Primary Highway Pavement Condition**

This measure is defined as the percentage of the primary highway system that provides desirable driving standards for the travelling public. Key factors include pavement smoothness and riding comfort.

This measure no longer includes bridge condition data as was reported in the previous Annual Report. The previous years' results have therefore been restated to reflect this change.

1995/96 Results	1996/97 Results	1997/98	
		Target	Results
90.5%	89.7%	86.0%	86.0%

## **6.2 Goals and Measures continued ...**

### **Goal No. 6: Supporting Cost- Effective Government**

- Measure our performance.
- Continue privatization and outsourcing.
- Support regulatory reform.

The 1997/98 results indicate that the condition of the primary highways are deteriorating. The primary reason for this decline is the need for more reinvestment into the system. To ensure that the pavement condition does not decline further, additional funding in 1998/99 has been committed for primary highway rehabilitation. Enhanced funding in future years will also be required to protect the highway infrastructure.

In the past few years, AT&U undertook major re-engineering of its core businesses. Outsourcing and privatization initiatives resulted in a more efficient and cost-effective way of doing business with reduced staffing resources.

Measuring our performance continued within AT&U. An initiative was undertaken during the year which enabled the fine-tuning of the department's Business Plan measures, and work began on the development of program measures which could be used as internal management tools.

Further re-engineering continued in 1997/98 with the outsourcing of the rural electrification loan portfolio and central vehicle operations. Private sector operation of the loan portfolio will save the government approximately \$250,000 per year in staffing and administration costs. As well, the outsourcing of the central vehicle fleet was implemented and is estimated to save approximately \$2.2 million over a five-year period.

Approval was obtained to privatize Gas Alberta. Negotiations proceeded with the private sector to own and operate this natural gas brokerage service.

1997 was an active year for AT&U's Regulatory Reform Initiative. Of the 71 regulations administered, 16 were reviewed during 1997/98 as part of the Regulation Sunset Plan. This is in addition to the 26 regulations reviewed in 1996. The remaining regulations have been scheduled for review. In accordance with the government's policy of deregulation, all regulations will be re-enacted when it is in the public interest to do so, or repealed where a cost reduction for both industry and government can be demonstrated.



## **6.2 Goals and Measures continued ...**

### **Goal No. 7: Supporting Responses to Major Disasters and Emergencies**

- Assist in the development and testing of emergency plans.
- Respond to real-event emergencies and disasters.

In addition, five Bills were tabled during the 1998 Spring Session of the Legislature which began in late January 1998. The Bills included the Canadian Airlines Amendment Act, Dangerous Goods Transportation and Handling Act, Rural Gas Amendment Act, Regional Airports Authorities Amendment Act, and Railway Act.

One of AT&U's core businesses is to ensure the provision of disaster and emergency services to all Albertans. We accomplish this by providing assistance to municipalities in developing and testing their emergency preparedness plans and by effectively responding to real-event emergencies and disasters. During the 1997/98 fiscal year, Alberta Transportation and Utilities:

- assisted 132 municipalities in the development and testing of their emergency plans;
- developed the "Alberta Emergency Plan" which outlines the provision of government resources in emergencies;
- developed a planning model for a School Disaster Plan which sets priorities and defines key emergency response functions for a coordinated response when disaster is imminent or has impacted a school;
- developed a similar model for a School Board Plan which outlines the priorities and responsibilities of a school board to support an emergency response at one or more of its schools;
- developed the North/Central Disaster Recovery Program which provided some \$29 million in disaster aid for flooding caused by ice jams in the Peace River and Fort McMurray areas, and for heavy damage to infrastructure in other areas of the north caused by flooding as a result of heavy spring run-off in 1997;
- responded to Quebec's and Ontario's urgent request for generators to assist in providing emergency power needed as a result of the January 1998 ice storms. In total, 52 units (totaling 6 mega watts of generating power) were shipped under national arrangements coordinated by the military;



## 6.2 Goals and Measures continued ...

### Performance Measure

- responded to the December 1997 fire disaster that occurred in the Granum area by activating the Government Emergency Operations Centre to provide advice to local jurisdictions and coordinate the provincial and federal resources; and
- assisted Fort Chipewyan residents in obtaining critical supplies (i.e., liquid fuels, food products, and propane) needed due to the closure of the winter road because of melting caused by higher than normal temperatures.

### Effectiveness of Emergency and Disaster Response

This measure is defined as the percentage of eligible claims where an assessor arrives on site within 30 days of a claim being received after a disaster recovery program has been announced.

The measure includes only eligible claims. The calculation and targets are based on the assumption that the site is accessible by the assessors.

	1995/96 Results	1996/97 Results	1997/98	
			Target	Results
Percentage	43.2%	99.7%	100.0%	100.0%
Number of eligible applications	1,662	682	-	419

This target was fully achieved in 1997/98.

### Goal No. 8: Monitoring the Motor Carrier Industry

Motor vehicle safety is vital in order for industry to be efficient and cost-effective. Alberta's export and import industries rely heavily on the commercial trucking industry to move their products to market. The latest statistics available (1995) indicate that nearly \$3.94 billion worth of products are exported annually from Alberta by truck. An additional \$4 billion worth of products are being imported annually into Alberta. This increased economic activity resulted in a substantial increase in truck traffic in Alberta. Effective monitoring of the industry is required to ensure that the highway infrastructure is not damaged due to overweight vehicles and to ensure the safety of all those using Alberta's highways.

## **6.2 Goals and Measures continued ...**

- Monitor the transport of dangerous goods.
- During 1997/98, a number of initiatives were undertaken, not only to monitor the motor carrier industry, but also to improve communication and implement educational and other programs enhancing awareness.
- A new Act was enacted during the 1998 Spring Sitting of the Legislature. When proclaimed, the Dangerous Goods Transportation and Handling Act, will enhance the department's ability to administer the dangerous goods control program which monitors the on-road transport of dangerous goods.
  - During 1997/98, the following activities were undertaken to regulate the motor carrier industry:
    - 6,404 roadside mechanical inspections by department transport officers.
    - 118,829 inspections done by the private sector under the Commercial Vehicle Inspection Program.
    - 183,046 permits issued for overload and over-dimension commercial vehicles, and temporary licensing permits for out-of-province commercial vehicles.
    - 339,064 commercial vehicles weighed.
  - Based on recommendations from the Alberta Wheel Review Task Force, a Commercial Vehicle Wheel Service Certification Program began with the Alberta Trucking Industry Association as the accredited program provider. Under this program, 189 instructors had been trained by March 31, 1998, with 1,059 wheel installers certified. The objective of this program is to eliminate wheel separations in Alberta.
  - Alberta Transportation and Utilities will continue to work on a national level with organizations like the Alberta Trucking Industry Safety Association, Canadian Council of Motor Transport Administrators, Ontario Trucking Association and Canadian Trucking Alliance to address issues like wheel separations reporting and commercial vehicle inspection standards, motor carrier safety rating and facility audit standards.

## **6.2 Goals and Measures continued ...**

- A carrier profile system was developed to monitor carriers' contraventions and vehicle inspection (Commercial Vehicle Safety Alliance) "out-of-service" rates. Each carrier is assigned a maximum number of contravention points based on the average fleet size. Points are assigned to contraventions noted on the carrier profile. A progressive discipline model was adopted to define specific intervention levels at which AT&U will work with the carrier to increase compliance.
- AT&U implemented the use of four safety ratings; satisfactory, unsatisfactory, conditional, and satisfactory unaudited. Non-compliant carriers who choose not to reduce their contraventions will be rated as "unsatisfactory". Basic carrier profile information will be provided to the public and carriers will be able to receive a comprehensive carrier profile. As of March 31, 1998 AT&U was monitoring approximately 22,900 carrier profiles. This initiative was implemented April 1, 1998.
- AT&U and the trucking and bus industries completed the groundwork for a Transportation Training and Development Centre to provide training for all aspects of commercial motor transportation, including new training standards for commercial vehicle drivers.
- Work with industry to develop programs focusing on self-regulation.
- Government and industry, lead by AT&U and the Alberta Trucking Association, implemented the Partners in Compliance (PIC) program. This program recognizes and promotes carrier excellence with respect to safety management and compliance practices. This initiative was developed as an alternative to historical enforcement-based programs designed to deter contraventions. PIC has been endorsed by the Canadian Council of Motor Transport Administrators as the national model for carrier excellence programs. As of March 31, 1998, 19 carriers operating approximately 2,200 freight trucks were participating in the program.



## 6.2 Goals and Measures continued ...

- Continue to monitor truck weights and dimensions.
- Fatigue management for Alberta truckers continues to be an issue from a highway safety perspective. During 1997/98, AT&U partnered with the Alberta Trucking Association to begin the development of a motor carrier fatigue management program which could be used as an alternative to hours of service regulations. Work on this program will continue with the implementation of a one-year pilot project in 1998.
- AT&U continued its effort to harmonize commercial vehicle weights and dimensions across Canada and the United States. Discussions took place with representatives from other provinces, and national organizations such as the Canadian Council of Motor Transport Administrators and the Transportation Association of Canada, to implement consistent weights and dimensions nationally. Negotiations will continue in 1998.

### Performance Measure

#### Mechanical Safety of Commercial Vehicles

This measure is defined as the percentage of commercial vehicles that did not meet one or more of the criteria used nationally (Commercial Vehicle Safety Alliance) when inspected by department staff at roadside checks. Minor adjustments are those that can be made on site without the attention of a mechanic.

For the 1997/98 results, data was collected using a sample survey of vehicles inspected over a six-month period from June to November, 1997. Results for the prior years were obtained using the data from the three-day Road Check program undertaken annually in the first week of June.

	1995/96 Results	1996/97 Results	1997/98	
			Target	Results
Requires minor adjustments	31.9% (Composite results)	27.0%	25.0%	16.4%
Requires mechanic's attention		6.1%	6.0%	6.3%

The results indicated in the above table indicate that the 1997/98 target was exceeded.

## **6.2 Goals and Measures continued ...**

### **Performance Measure**

#### **Transportation of Dangerous Goods**

This measure is defined as the percentage of on-road dangerous goods incidents with the potential for significant harm or loss to the public.

Key factors in determining the severity of the incident include: type of dangerous good involved; quantity spilled; damage to the vehicle; injuries; and whether an evacuation was required. Only dangerous goods incidents which are on-road and within the legislative authority of the department are included in this measure.

This measure has been changed from 1996/97. The previous measure showed the percentage of vehicles carrying dangerous goods that were fully compliant with regulations. This new measure provides a more useful measure in evaluating potential harm or loss to the public.

1995/96 Results	1996/97 Results	1997/98	
		Target	Results
21.7%	27.5%	17.0%	15.3%

The results confirm that our target was exceeded by nearly two percent as a result of increased control and monitoring by the department. Education and awareness initiatives were implemented in partnership with industry to make truckers and resource industries more aware of their responsibilities in this regard.

### **Performance Measure**

#### **Commercial Vehicle Overload Rate**

This measure is defined as the number of overloaded commercial vehicles as a percentage of total vehicles inspected.

As with the measure of mechanical safety of commercial vehicles, the results for 1997/98 were calculated using data that was collected from a sample survey of vehicles inspected over a six-month period from June to November, 1997.

## 6.2 Goals and Measures continued ...

Results for the 1995/96 fiscal year were obtained using data from the three-day Road Check program undertaken in the first week in June. No sample was undertaken in 1996/97, therefore, no results were available.

1995/96 Results	1996/97 Results	1997/98	
		Target	Results
15.7%	n/a	13.0%	16.8%

Results achieved are within the variability expected in a sampling program. The percentage of overloads is expected to fluctuate with increased economic and resource activity in various areas of the province.

### **Goal No. 9: Supporting Safe and Cost-Effective Utility Services**

Through numerous loan and grant programs, AT&U supports rural Albertans and small communities in obtaining basic utility services, such as natural gas and electric services and municipal water and wastewater facilities.

The following summarizes some highlights for the reporting year.

- The rural electrification loan portfolio was outsourced in the fall of 1997. Farmers and rural electrification associations now benefit from increased flexibility in the administration of their loans, electronic banking capabilities and enhanced services. Approximately \$250,000 per year will be saved in staffing and administration costs.
- Approval was obtained to proceed with the privatization of Gas Alberta, a natural gas brokerage service. Gas Alberta Inc. will be controlled by its customers through an elected board of directors. During the transition period over the next two years, the government will appoint two members to the board to ensure a smooth transition.
- The new Gas Utilities Act (enacted as the Rural Gas Amendment Act, 1998) received Royal Assent on February 26, 1998. This new Act allows for the privatization of Gas Alberta on July 1, 1998 when Gas Alberta Inc. is scheduled to take over operation of this natural gas brokerage service.



## **6.2 Goals and Measures continued ...**

- Provide financial assistance for basic utility services.
- Significant funding was provided to smaller communities (under 45,000 population) and rural Albertans, as follows:
  - \$26,572,500 in grants provided to 69 municipalities for the construction of municipal water supply and wastewater treatment facilities;
  - \$8,182,140 in grants provided for 6,689 new rural gas services;
  - \$780,885 in rebates were provided in response to 1,900 applications under the Remote Area Heating Allowance Program. This rebate is provided to assist rural residents, who do not have access to natural gas, with the cost of using propane or fuel oil;
  - \$1,345,090 in new loans approved to 295 individual farmers for rural electric services;
  - \$927,950 in grants issued for 455 rural electric farm services; and
  - \$271,180 in loans issued for 13 capital rebuild projects undertaken by rural electrification associations.

### **Performance Measure**

There were no Business Plan performance measures for this goal. A measure on the effectiveness of water and wastewater treatment facilities has been developed and is included in the department's 1998/2001 Business Plan.

### **6.3 Auditor's Report on Specified Procedures**

To the Members of the Legislative Assembly:

I have performed the following procedures in connection with the Ministry of Transportation and Utilities' key measures included in the *1997/98 Annual Report of the Ministry of Transportation and Utilities* as presented on pages 13 to 36.

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations which converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit of the set of key measures and therefore I express no opinion on the set of key measures included in the *1997/98 Annual Report of the Ministry of Transportation and Utilities*.

*Peter Valentine, FCA*  
Auditor General

Edmonton, Alberta  
August 13, 1998

*The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.*





## **7.0 LOOK FORWARD: FUTURE INITIATIVES AND CHALLENGES**

The future promises to continue being very busy for Alberta Transportation and Utilities as we focus on our core businesses of ensuring public safety; preserving the public's investment in the transportation infrastructure; and supporting Alberta's economic development and prosperity. We will also focus our resources on a number of key initiatives that will support our mission and vision and the Government's Business Plan.

### **Future Initiatives**

#### **Amalgamation of Traffic Safety Legislation**

- Amalgamation of the Highway Traffic Act; Motor Transport Act; Motor Vehicle Administration Act; and Off-highway Vehicle Act will continue. Stakeholder consultation on the proposed new Traffic Safety Act will be undertaken during 1998 to identify and resolve potential issues prior to introduction in the Legislature. Following the development of the new Act, appropriate regulations will be developed.

#### **Continuation of the Traffic Safety Initiative**

- The Traffic Safety Initiative will continue in an effort to enhance driver awareness, education and enforcement. We will continue to work with our partners and stakeholders in examining traffic safety issues and developing new strategies for improved education and enforcement.

#### **Upgrading of the North-South Trade Corridor**

- Twinning of the North-South Trade Corridor, which spans from the British Columbia border west of Grande Prairie to the United States border at Coutts, is an integral part of Alberta's trade strategy. A number of key projects are planned for the 1998 construction year, including the completion of two projects south of Lethbridge and a number of projects on Highway 43 around Grande Prairie, Valleyview, Fox Creek and Whitecourt. Substantial completion of this corridor is anticipated by 2007.
- Project 43 will be in full swing during 1998 and will continue for the duration of the upgrading to the North-South Trade Corridor. This integrated, community based traffic safety education project has been developed to enhance the awareness of traffic safety issues and to reduce collisions and fatalities along the Highway 43 portion of the corridor.

## **7.0 A Look Forward: Future Initiatives and Challenges continued...**

### **Implementing the North West Transportation and Trade Corridor**

- The development of this corridor, connecting northern Alberta to the Port of Prince Rupert, is fundamental to ensuring that our key trading partners, particularly in the growing Asia-Pacific region, have competitive access to global markets and to Western Canada. Discussions will continue with government and industry representatives in Alberta and British Columbia to discuss the challenges and opportunities surrounding the development of a western strategy for the future, which will address the complete network.

### **Developing an Alberta Aviation Strategy**

- As the province prepares for the 21st Century, the importance of passenger and cargo air travel will continue to grow. Through the cooperative efforts of the airports authorities, the regional airports, regional economic and tourism authorities, the airlines and governments, continued effort will be placed on the development of an Aviation Strategy for Alberta. This strategy will establish priorities with respect to actions required to ensure Alberta has the air services necessary for the creation of new value-added industries.

### **Future Challenges**

During the 1999/2002 business planning cycle and beyond, Alberta Transportation and Utilities will face a number of challenges, some of which are noted below.

#### **Ensuring the Safety of the Travelling Public**

- The safety of everyone travelling on Alberta's roadways will continue to be a key challenge for Alberta Transportation and Utilities. The first year of the Traffic Safety Initiative has proven successful in educating drivers and all Albertans and we will continue to focus our efforts in this regard. Balancing the need for enforcement against the need to deregulate and enhance education and awareness will continue to be a key challenge.

#### **Preserving the Existing Primary Highway Infrastructure**

- During 1997/98, additional funding was provided to assist in effectively maintaining the integrity of the existing infrastructure. The primary highways continue to be key to Alberta's strong economy and we must therefore continue to ensure that we protect our investment and not allow the condition of the roadways to deteriorate.



## **7.0 A Look Forward: Future Initiatives and Challenges continued...**

### **Funding Urban and Rural Transportation Systems**

- Increased truck and economic activity are impacting all highways and local roads within Alberta. Urban and rural municipalities continue to be faced with funding shortfalls that affect their ability to maintain the integrity of their roadway infrastructure. Through the Premier's Task Force on Infrastructure, the need for improved methods of financing and effectively managing the roadway infrastructure in the long term has been identified. A report from the task force is anticipated in mid-1998.

### **Implementing a National Highway Program**

- Alberta will continue to work with the other provinces to urge the federal government to commit to a long-term funding program to upgrade the National Highway System. As with the North-South Trade Corridor, this system is also essential in maintaining Canada's competitiveness in trade and tourism.

### **Planning for Transportation Needs in Northern Alberta**

- Work is underway with the Northern Alberta Development Council and representatives from British Columbia, Saskatchewan, Yukon and the Northwest Territories on the development of an inter-jurisdictional planning document which will identify and map proposed new long-range road developments within the northern region. It will be used as a base of information for future economic and infrastructure planning in the northern region.

### **Providing Access to Rural Utilities**

- With Alberta's growing economy, the need for basic utility services also continues to grow, particularly in the North. Alberta Transportation and Utilities will continue to work with rural Albertans, associations, municipalities, and private utilities to monitor needs for future growth.

### **Reviewing Grain Transportation and Handling**

- The efficient and cost-effective transportation of grain to export markets is key to Alberta's agriculture industry. A review of Canada's grain transportation and handling system is underway by the federal government. The provinces have provided and will continue to provide input into the review in an effort to ensure that the needs of the agricultural community are considered.



## **7.0 A Look Forward: Future Initiatives and Challenges continued...**

### Continuing to Develop our Human Resources

- From 1995 to 1997, Alberta Transportation and Utilities was faced with restructuring and re-engineering that significantly changed the way we undertake our business. Over the term of the next Business Plan, we will continue to focus on maintaining and enhancing our expertise; to undertake succession planning to ensure that our future managers are properly trained to effectively take on the role of managing our resources; and to improve teamwork internally and externally with other government departments as well as our private sector partners.

## **8.0 FINANCIAL INFORMATION**

### **8.1 Management's Responsibility Statement**

The Ministry of Transportation and Utilities includes:

- the Department of Transportation and Utilities;
- the Transportation Revolving Fund; and
- the Gas Alberta Operating Fund.

The executives of the individual entities within the Ministry have the primary responsibility and accountability for respective entities. Collectively, we ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry Business Plans, Annual Reports, performance results and supporting management information are integral to the government's fiscal and Business Plans, Annual Reports, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Transportation and Utilities. Under the direction of the Minister, I oversee the preparation of the Ministry's Annual Report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money;
- provide information to manage and report on performance;
- safeguard the assets and properties of the Province under Ministry administration;
- provide Executive Council, Treasury Board, the Provincial Treasurer and the Minister any information needed to fulfill their responsibilities; and
- facilitate preparation of Ministry Business Plans and Annual Reports required under the Government Accountability Act.

## **8.1 Management's Responsibility Statement continued ...**

In fulfilling my responsibilities for the ministry, I have relied, as necessary, on the Executive of the individual entities within the Ministry.



E.R. McLellan  
Deputy Minister of Transportation  
and Utilities  
September 16, 1998

## **8.2 Alphabetical List of Entities' Financial Information in Ministry Annual Reports**

The following is an alphabetical list of entities' financial information in Ministry Annual Reports.

### **Entities included in the Consolidated Government Reporting Entity**

<i>Ministry, Department, Fund or Agency</i>	<i>Ministry Annual Report</i>
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Agriculture, Food and Rural Development Revolving Fund	Agriculture, Food and Rural Development
Alberta Agricultural Research Institute	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Community Development
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Economic Development
Alberta Heritage Foundation for Medical Research Endowment Fund	Treasury
Alberta Heritage Savings Trust Fund	Treasury
Alberta Heritage Scholarship Fund	Treasury
Alberta Insurance Council	Treasury
Alberta Intermodal Services Ltd.	Treasury
Alberta Motion Picture Development Corporation	Economic Development
Alberta Municipal Financing Corporation	Treasury



## 8.2 Alphabetical List of Entities' Financial Information in Ministry Annual Reports continued ...

Alberta Oil Sands Technology and Research Authority	Energy
Alberta Opportunity Company	Economic Development
Alberta Pensions Administration Corporation	Treasury
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council	Science, Research and Information Technology
Alberta Risk Management Fund	Treasury
Alberta School Foundation Fund	Education
Alberta Science and Research Authority	Science, Research and Information Technology
Alberta Securities Commission	Treasury
Alberta Social Housing Corporation	Municipal Affairs
Alberta Special Waste Management Corporation	Environmental Protection
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Treasury
ATB Investment Services Inc.	Treasury
Chembiomed Ltd. (in liquidation)	Treasury
Credit Union Deposit Guarantee Corporation	Treasury
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Community Development	Community Development
Department of Economic Development	Economic Development
Department of Education	Education
Department of Energy	Energy
Department of Environmental Protection	Environmental Protection
Department of Family and Social Services	Family and Social Services
Department of Justice	Justice
Department of Municipal Affairs	Municipal Affairs
Department of Public Works, Supply and Services	Public Works, Supply and Services
Department of Science, Research and Information Technology	Science, Research and Information Technology
Department of Transportation and Utilities	Transportation and Utilities
Department of Treasury	Treasury
Economic Development and Tourism Revolving Fund	Economic Development
Education Revolving Fund	Education

## 8.2 Alphabetical List of Entities' Financial Information in Ministry Annual Reports continued ...

Environmental Protection and Enhancement Fund	Environmental Protection
Environmental Protection Revolving Fund	Environmental Protection
475342 Alberta Ltd. (in liquidation)	Treasury
Gainers Inc.	Treasury
Gas Alberta Operating Fund	Transportation and Utilities
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
Livestock Patrons' Assurance Fund	Agriculture, Food and Rural Development
Lottery Fund	Economic Development
Ministry of Advanced Education and Career Development <sup>1</sup>	Advance Education and Career Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Community Development	Community Development
Ministry of Economic Development	Economic Development
Ministry of Education	Education
Ministry of Energy	Energy
Ministry of Environmental Protection	Environmental Protection
Ministry of Executive Council <sup>1</sup>	Executive Council
Ministry of Family and Social Services	Family and Social Services
Ministry of Health <sup>1</sup>	Health
Ministry of Intergovernmental and Aboriginal Affairs <sup>1</sup>	Intergovernmental and Aboriginal Affairs
Ministry of Justice	Justice
Ministry of Labour <sup>1</sup>	Labour
Ministry of Municipal Affairs	Municipal Affairs
Ministry of Public Works, Supply and Services	Public Works, Supply and Services
Ministry of Science, Research and Information Technology	Science, Research and Information Technology
Ministry of Transportation and Utilities	Transportation and Utilities
Ministry of Treasury	Treasury
N.A. Properties (1994) Ltd.	Treasury
Natural Resources Conservation Board	Environmental Protection
NFI Finance Inc. (in liquidation)	Treasury
Persons with Developmental Disabilities Foundation	Family and Social Services

<sup>1</sup> Ministry includes only the department, so separate department information is not necessary.

## 8.2 Alphabetical List of Entities' Financial Information in Ministry Annual Reports continued ...

Public Works, Supply and Services Revolving Fund	Public Works, Supply and Services
S C Financial Ltd.	Treasury
Science and Research Fund	Science, Research and Information Technology
The Alberta Government Telephones Commission	Treasury
The Alberta Historical Resources Foundation	Community Development
The Government House Foundation	Community Development
The Wild Rose Foundation	Community Development
Transportation Revolving Fund	Transportation and Utilities
Treasury Revolving Fund	Treasury
Utilities Companies Income Tax Rebates Fund	Treasury
Victims of Crime Fund	Justice
Alberta Cancer Board	Health
Alberta Heritage Foundation for Medical Research	Science, Research and Information Technology
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts Trust Account	Municipal Affairs
Local Authorities Pension Plan	Treasury
Long-Term Disability Benefit Fund- Bargaining Unit	Advanced Education and Career Development
Long-Term Disability Benefit Fund- Management, Opted Out and Excluded	Advanced Education and Career Development
Management Employees Pension Plan	Treasury
Provincial Judges and Masters in Chambers Pension Plan	Treasury
Provincial Mental Health Advisory Board	Health
Public Post Secondary Institutions	Advanced Education and Career Development
Public Service Management (Closed Membership) Pension Plan	Treasury
Public Service Pension Plan	Treasury
Regional Health Authorities	Health
School Boards	Education
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Treasury
Universities Academic Pension Plan	Treasury
Workers' Compensation Board	Labour



### **8.3 Financial Statements**

The following financial statements are attached to this Annual Report:

- audited Ministry Consolidated Financial Statements
- audited Financial Statements for the Department
- audited Financial Statements for the Transportation Revolving Fund
- audited Financial Statements for the Gas Alberta Operating Fund

# **Ministry of Transportation and Utilities**

---

Consolidated Financial Statements

March 31, 1998





MINISTRY OF TRANSPORTATION AND UTILITIES

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1998

Auditor's Report

Consolidated Statement of Revenues and Expenses

Consolidated Statement of Changes in Financial Position

Consolidated Statement of Assets, Liabilities and Deficit

Notes to the Consolidated Financial Statements

Consolidated Schedule of Revenues

Consolidated Schedule of Expenses Detailed by Object

Consolidated Schedule of Purchases of Capital Assets by Type



## AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of assets, liabilities and deficit of the Ministry of Transportation and Utilities as at March 31, 1998 and the consolidated statements of revenues and expenses and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

### Inventories held for consumption

As a change in the accounting policy for the reporting of inventories held for consumption took place in the current year (note 3), I was not able to verify the physical inventories at the beginning of the year nor satisfy myself concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of the results of operations and changes in financial position, I was unable to determine whether adjustments to expenses, net operating results for the year, opening amount due to General Revenues and cash provided by operations might be necessary.

The Ministry of Transportation and Utilities is required to follow the corporate government accounting policies and reporting practices as disclosed in Note 3. These accounting policies have been established by Alberta Treasury and are consistent across ministries. With certain exceptions, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies the exceptions from generally accepted accounting principles that arise from following the accounting policies established by Alberta Treasury.



The following accounting policies are exceptions from generally accepted accounting principles:

#### Pension obligations

Obligations to pension plans for current and former employees of the Ministry have not been recognized as a liability in the accompanying statement of assets, liabilities and deficit and consequently the annual change in the liability has not been recognized in the statement of revenues and expenses. In my view, on a basis of allocation similar to that used for Provincial agencies, an amount of approximately \$3,612,000 due to pension plans at March 31, 1998, in the Ministry's capacity as employer, and which is reflected in the financial statements of the Department of Treasury, should be recognized as a liability in these financial statements. The effect of not recognizing the annual change in the liability is to overstate expenses for the year ended March 31, 1998, by approximately \$3,259,000.

#### Long term disability benefits

Unfunded accrued long-term disability benefits have not been recognized as a liability in the accompanying statement of assets liabilities and deficit and related expenses have not been recognized in the statement of revenues and expenses. During the year ended March 31, 1998, the liability for the benefits for all departments, which was recorded in the financial statements of the Department of Treasury, was fully funded. However, unfunded benefits for all departments that were recorded in the financial statements of the two Long-term Disability Benefit Funds have not been allocated. In my view, the Ministry's liabilities at March 31, 1998 are understated by approximately \$203,000 and expenses for the year ended March 31, 1998 are understated by approximately \$627,000.

#### Site restoration costs

The Ministry reports the costs of reclaiming gravel pits and fuel tank sites in the period in which the restoration work is performed rather than in the periods in which the liabilities arise. In my view, the Ministry should estimate the cost and record the liability for site restoration when the gravel is excavated and when the fuel tank sites are acquired. The estimate of the liability should be refined each year, as the extent of required restoration work becomes known. I believe that the effect of this departure from generally accepted accounting principles is significant.

### Excluded direct costs

Accommodation and certain other administration costs incurred in the operation of the Ministry have not been included in expenses. These costs, estimated at \$4,964,000 for accommodation only, are recorded by the ministries that paid the expenses on behalf of the Ministry of Transportation and Utilities.

In my opinion, except for the effects of the matters discussed in the preceding section, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

*Peter Valentine, FCA*  
Auditor General

Edmonton, Alberta  
May 22, 1998

*The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.*





**MINISTRY OF TRANSPORTATION AND UTILITIES**  
**CONSOLIDATED STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 1998**  
(in thousands)

	1998		1997
	Budget	Actual	Actual
<b>Revenues: (Schedule 1)</b>			
Transfers from the Government of Canada	\$ 704	\$ 16,414	\$ 18,364
Fees, permits and licenses	12,618	19,496	15,086
Investment income	1,375	2,558	2,107
Vehicle, materials and supplies operations	5,023	4,103	5,377
Other revenue	4,615	6,936	5,155
	<u>\$24,335</u>	<u>49,507</u>	<u>46,089</u>
<b>Expenses: (Schedule 2)</b>			
Departmental support services	14,245	19,134	15,849
Construction and operation of transportation systems	499,904	581,952	494,016
National Infrastructure Program	313	185	34,785
Partnership for municipal and rural utilities	25,113	37,526	34,362
Disaster recovery	2,784	33,581	24,086
Vehicle, materials and supplies operations	4,644	4,164	5,559
	<u>547,003</u>	<u>676,542</u>	<u>608,657</u>
<b>Valuation adjustments:</b>			
Provisions for doubtful accounts	-	4,350	383
Adjustment for accrued vacation pay	-	211	(734)
	<u>-</u>	<u>4,561</u>	<u>(351)</u>
(Gain) loss on disposition of loan portfolio (Note 7)	-	(4,165)	-
(Gain)/loss on disposition of capital assets	(197)	(284)	3,598
Write down on capital assets	-	1,526	-
	<u>546,806</u>	<u>678,180</u>	<u>611,904</u>
Net operating results from continuing operations	<u>(522,471)</u>	<u>(628,673)</u>	<u>(565,815)</u>
Net operating results from discontinued operations (Note 4(c))	300	3,802	(8,298)
Net Contributions from General Revenues (Note 9)	<u>522,171</u>	<u>629,325</u>	<u>575,843</u>
Net income	<u>\$ -</u>	<u>4,454</u>	<u>1,730</u>
(Deficit) net assets, beginning of year		(1,162)	165,675
Transfer to General Revenues (Note 3(d))		(3,873)	-
Transfer of consolidated entities to another Ministry		-	(168,567)
Deficit, end of year (Note 12)		<u>\$ (581)</u>	<u>\$ (1,162)</u>

**MINISTRY OF TRANSPORTATION AND UTILITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE YEAR ENDED MARCH 31, 1998**  
(in thousands)

	1998	1997
Operating Transactions:		
Net Operating Results from continuing operations	\$ (628,673)	\$ (565,815)
Non-cash items included in Net Operating Results:		
Amortization	93,510	91,813
(Gain)/loss on disposal of capital property	(4,449)	3,598
Write down of capital assets	1,526	-
Amortization of discounts	(854)	(854)
Valuation adjustments	4,561	(351)
	(534,379)	(471,609)
(Increase) decrease in accounts receivable	(10,375)	156,838
(Increase) decrease in loans and advances	(47)	1,449
(Increase) decrease in inventories	(5,047)	1,646
Decrease in accounts payable and accrued liabilities	(9,933)	(33,175)
Cash provided by operating transactions	(559,781)	(344,851)
Net cash provided by operating transactions of discontinued operations:	7,898	(9,987)
Net contribution from General Revenues	629,325	575,843
Net cash provided by operating transactions	77,442	221,005
Investing Transactions:		
Purchase of capital assets (Schedule 3)	(147,695)	(117,466)
Decrease in net assets of commercial operations	-	13,513
Transfer of capital assets from another Ministry (Note 13)	(74,161)	-
Transfer of net assets to another Ministry	-	(168,567)
Surplus returned to General Revenues (Note 3(d))	(3,873)	-
Proceeds from disposition of capital assets	3,426	2,337
Proceeds from disposition of loan portfolio (Note 7)	22,570	-
Cash used for investing transactions of continuing operations	(199,733)	(270,183)
Net cash provided by investing transactions of discontinued operations	225	35,936
Cash provided by investing transactions	(199,508)	(234,247)
Net cash used	(122,066)	(13,242)
Due to General Revenues and cash, beginning of year	(3,218,294)	(3,205,052)
Due to General Revenues and cash, end of year	\$ (3,340,360)	\$ (3,218,294)
Due to General Revenues and cash represented by:		
Due to General Revenues	\$ (3,341,685)	\$ (3,218,294)
Cash in transit	1,325	-
	\$ (3,340,360)	\$ (3,218,294)

The accompanying notes and schedules are part of these financial statements

MINISTRY OF TRANSPORTATION AND UTILITIES  
CONSOLIDATED STATEMENT OF ASSETS, LIABILITIES AND DEFICIT  
AS AT MARCH 31, 1998  
(in thousands)

	<u>1998</u>	<u>1997</u>
<u>ASSETS</u>		
Cash	\$ 1,325	\$ -
Accounts receivable (Note 5)	72,495	71,963
Loans and advances (Note 7)	274	19,096
Inventories held for consumption (Note 6)	7,546	3,866
Inventories held for resale (Notes 6 and 16)	3,848	4,094
Capital assets (Note 8)	<u>3,336,586</u>	<u>3,212,809</u>
	<u>\$ 3,422,074</u>	<u>\$ 3,311,828</u>
<u>LIABILITIES AND DEFICIT</u>		
Accounts payable and accrued liabilities	\$ 75,789	\$ 90,832
Holdbacks payable	5,181	3,754
Allowance for expected losses on discontinued operations	-	110
Due to General Revenues	3,341,685	3,218,294
Deficit	<u>(581)</u>	<u>(1,162)</u>
	<u>\$ 3,422,074</u>	<u>\$ 3,311,828</u>

The accompanying notes and schedules are part of these financial statements.



# MINISTRY OF TRANSPORTATION AND UTILITIES

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1998

(in thousands)

### Note 1 Authority

The Ministry is comprised of the following entities:

- the Department of Transportation and Utilities which operates under the authority of the Government Organization Act, Statutes of Alberta;
- the Transportation Revolving Fund which operated under the authority of the Financial Administration Act, Section 21.1, Chapter F-9, Revised Statutes of Alberta 1980, as amended;
- Gas Alberta Operating Fund which operates under the authority of the Rural Gas Act, Chapter R-19, Revised Statutes of Alberta, 1980, as amended.

### Note 2 Purpose

The Ministry is responsible for:

- The development, construction and maintenance of an integrated transportation system to facilitate the safe and efficient movement of people and products and the economic development of the Province.
- Assisting in the provision of certain essential utility services which affect the daily lives of Albertans. These services relate primarily to water supply and waste water facilities, electricity and natural gas.
- The administration of the Canada/Alberta Infrastructure Program which provides funding for a wide variety of municipal infrastructure projects.
- The development of an overall provincial program of preparedness for, and response to emergencies and disasters, and for the administration and enforcement of the federal and provincial regulations pertaining to the movement of dangerous goods.
- Providing uniformly priced and secure natural gas supplies to rural gas distributors throughout Alberta.
- Providing a fleet of automobiles and light vehicles for lease by the Government of Alberta.

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. The recommendations of the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting and Auditing Board.

(a)    Reporting Entities

The reporting entities included in these statements are the Department of Transportation and Utilities, Transportation Revolving Fund, and Gas Alberta Operating Fund.

The statements reflect the operations of the Ministry of Transportation and Utilities for 1997/98 and provide a comprehensive accounting of the financial position and results of the Ministry's operations. The Ministry Annual Report provides a more complete picture of the operations for which the Minister is accountable.

All ministries of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Provincial Treasurer. All revenues collected by the ministries are deposited into the Fund and all disbursements made by the ministries are paid from the Fund.

(b)    Basis of Financial Reporting

Basis of Consolidation

The accounts of the Department of Transportation and Utilities and its two revolving funds are consolidated. Revenue and expenditure transactions, inventory and financing transactions, and related asset and liability accounts between consolidated entities have been eliminated.

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

(b)    Basis of Financial Report (continued)

Expenses

Expenses represent the costs of resources consumed during the year on the Ministry's operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for employees' service related to prior years.

Certain expenses, primarily for office space, legal advice, and banking services incurred on behalf of the Ministry by other Ministries are not reflected in these statements.

Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to guarantees and indemnities of the Department.

Assets

Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals as well as operating inventories. Inventories held for consumption and resale are valued at the lower of cost or net realizable value.

Capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. All land is capitalized. The threshold for capitalizing new systems development is \$100 and \$15 for all other assets. Capital assets are restricted to those acquired for cash or exchanged for other assets except for the pipelines which were donated to the Ministry. The pipelines were capitalized at the present value of the expected future revenues that will be generated over their useful lives. Other assets acquired by right or paid for by others are recorded at zero cost.



(b) Basis of Financial Reporting (continued)

Liabilities

Liabilities include all financial claims payable by the Ministry at fiscal year end, except long-term disability benefits and certain pension benefits which are reflected in the financial statements of Treasury Department on behalf of all Ministries.

Due to General Revenues is the difference at fiscal year end between the value of assets held by the Ministry and its liabilities.

Site Restoration Costs.

Costs for gravel pit and fuel tank site restoration are recognized in the financial statements when the work is undertaken. No annual provision is made for future removal and site restoration.

(c) Change in Accounting Policy

Effective April 1, 1996, valuation adjustments that were previously reported in the financial statements of Treasury on behalf of the Ministry, are reported by the Ministry in the Statement of Revenues and Expenses. Net operating results from continuing operations decreased and the net contributions from General Revenues increased by \$203 (1997 net operating results increased and net contributions from General Revenues has decreased by \$351) as a result of this change.

Effective April 1, 1996, the Ministry reports liabilities associated with vacation entitlements. These liabilities were previously reported in the financial statements of Treasury. Accounts payable and accrued liabilities have increased and Due to General Revenues has decreased by \$5,061 (1997 \$4,850) as a result of this change.

Effective April 1, 1996, the Ministry reports the value of operating inventories as assets. These inventories were previously expensed as purchased. Inventories and Due to General Revenues have increased by \$7,546 (1997 \$2,432) as a result of this change. Operating expenses and Net Contribution from General Revenues are lower by \$4,304 (1997 \$nil) as a result of this change.

Note 3      Summary of Significant Accounting Policies and Reporting Practices (continued)

(d)      Dissolution of Transportation Revolving Fund

On December 1, 1997, management decided to discontinue operating the Transportation Revolving Fund. The Transportation Revolving Fund ceased at March 31, 1998, and the following assets and liabilities were transferred to the Department of Transportation and Utilities at net book value.

Accounts receivable	\$ 474
Inventories held for consumption	806
Capital assets and land	34,312
Accounts payable and accrued liabilities	<u>(1,867)</u>
	<u>\$ 33,725</u>
Due to General Revenues at March 31, 1998	\$ 29,852
Surplus returned to General Revenues	<u>3,873</u>
	<u>\$ 33,725</u>

The operations of the Fund are being continued as operations of the Department.

Note 4      Discontinued Operations

(a)      Gas Alberta Operating Fund

On October 2, 1997, management adopted a plan to discontinue gas brokerage and retail billing operations. These activities comprise the total operations of the Fund. Gas brokerage operations will cease June 30, 1998 and will be taken over by the private sector. Retail billing operations will be moved into the Department of Transportation and Utilities effective April 1, 1998 and will cease December 31, 1998. After this date, individual rural gas cooperatives will be responsible for this service.

Under the terms of the agreement to transfer operations to the private sector, the purchasing entity will assume the assets and liabilities of the fund as at the transfer date. The purchasing entity will also be assigned existing contracts for use and maintenance of Ministry of Transportation and Utilities owned pipelines that are integral to the operations of the Gas Alberta Operating Fund. Any surplus or deficit arising from gas brokerage operations will be treated as an adjustment in arriving at the final purchase price. No future losses on discontinued operations are anticipated.

Note 4 Discontinued Operations (continued)

(b) Transportation Revolving Fund

On January 1, 1996, management adopted a plan to discontinue fleet, shop and stores operations and related support services. These operations ceased during the year ended March 31, 1997.

(c) Assets, liabilities, and net operating results related to the discontinued operations at March 31, 1998, are:

	<u>1998</u>	<u>1997</u>
	(in thousands)	
Cash	\$ 37	\$ -
Accounts receivable	7,738	13,928
Capital assets (net of accumulated amortization)	-	366
Accounts payable	5,007	7,132
Allowance for expected future losses on discontinued operations	-	110
Net operating results from discontinued operations:		
Revenues	45,746	44,558
Expenses	<u>41,944</u>	<u>52,856</u>
	<u>\$3,802</u>	<u>\$(8,298)</u>

Note 5 Accounts Receivable

	<u>1998</u>	<u>1997</u>
	(in thousands)	
Government of Canada - Disaster Recovery	\$46,933	\$36,838
Receivable from Canadian National Railways(*)	9,371	11,610
Accrued interest receivable	-	481
Other	16,272	23,124
Allowance for doubtful accounts	<u>(81)</u>	<u>(90)</u>
Total	<u>\$72,495</u>	<u>\$71,963</u>

Accounts receivable are unsecured and non interest bearing.



Note 5     Accounts Receivable (continued)

- (\*) This receivable is a result of the sale of Alberta Resources Railway to Canadian National Railways in December, 1995. Annual payments are required on January 1, in the amount of \$3,093 and the receivable matures January 1, 2003.

The receivable is disclosed net of a discount of \$4,129 (1997 \$4,983) which is being amortized to income over the term of the agreement. The total amortization for the year ended March 31, 1998 was \$854 (1997 \$854).

Note 6     Inventories

	<u>1998</u>	<u>1997</u>
	(in thousands)	
Inventories held for consumption	\$ 7,546	\$3,866
Land held for resale	<u>3,848</u>	<u>4,094</u>
	<u>\$ 11,394</u>	<u>\$ 7,960</u>

Note 7     Loans and Advances

	<u>1998</u>			<u>1997</u>	
	<u>Gross Amount</u>	<u>Loan Discount</u>	<u>Allowance for Doubtful Accounts (in thousands)</u>	<u>Net Realizable Value</u>	<u>Net Realizable Value</u>
Travel advances	\$ 157	\$ -	\$ -	\$ 157	\$ 147
Loans receivable:					
10 year loans	28	-	(7)	21	5,419
25 year loans	128	-	(32)	96	10,712
Capital rebuild loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,818</u>
	<u>156</u>	<u>-</u>	<u>(39)</u>	<u>117</u>	<u>18,949</u>
	<u>\$ 313</u>	<u>\$ -</u>	<u>\$ (39)</u>	<u>\$ 274</u>	<u>\$ 19,096</u>

## Note 7      Loans and Advances (continued)

Loans have been provided to Albertans in rural areas under the Rural Electrification Loans Program to help finance the costs of installing electricity into homes. Capital Rebuild Loans were issued to Rural Electrification Associations to rebuild, maintain or improve their electrical distribution systems.

The Rural Electrification Loans portfolio was sold to a financial institution November 28, 1997 for proceeds of \$22,570. The financial institution advances the loans and accepts all risks for their collection. The Ministry remains as the administrator of the program but does not guarantee the loaned amounts.

The 10 year loans, issued under the Rural Electrification Loan Act, are repayable at 10% of principal per annum plus interest that ranges from 3.5% to 9.75%, as determined when the loans were issued. Repayment commences one year after the loan is issued.

The 25 year loans, issued under the Rural Electrification Long Term Financing Act, are repayable over 25 years at interest rates that range from 3.5% to 9.75%, as determined when the loans were issued. The capital rebuild loans are repayable over the 25 years and are interest free.

The loan discount amount is the difference between the face value of the loan and the present value of the loan as calculated using the blended cost of government borrowing at the date the loan is issued. The discount is amortized to income on a straight-line basis over the term of the loan. Discounts on new loans are recorded as grants in the year the loan is issued.

The allowance for doubtful accounts is established at 25% of the remaining loan balances outstanding for 10 and 25 year loans. Loan write-offs for the year were \$2 (1997 \$3).

## Note 8      Capital Assets

The cost of the assets and amortization for the Ministry are summarized below.

Highways include original pavement, roadbed, drainage works, and traffic control devices. Equipment includes pipelines, vehicle inspection stations, scales and lighting, and ferries, automobiles and light vehicles.

## Note 8 Capital Assets (continued)

Work in progress is included in the totals shown but is not amortized until it is put into service.

		1998			1997
	Estimated Useful Life	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
			(in thousands)		
Infrastructure assets					
Highways	40-50 Years	\$ 4,196,814	\$ 1,446,049	\$ 2,750,765	\$ 2,651,060
Bridges	50 Years	<u>450,385</u>	<u>136,284</u>	<u>314,101</u>	<u>305,949</u>
		<u>4,647,199</u>	<u>1,582,333</u>	<u>3,064,866</u>	<u>2,957,009</u>
General capital assets					
Land	Indefinite	228,138	-	228,138	215,454
Buildings	25 Years	13,037	4,368	8,669	7,524
Electronic data processing equipment and systems	5 Years	61,688	33,261	28,427	4,763
Equipment	3-50 Years	<u>15,299</u>	<u>8,813</u>	<u>6,486</u>	<u>27,694</u>
		<u>318,162</u>	<u>46,442</u>	<u>271,720</u>	<u>255,435</u>
		<u>4,965,361</u>	<u>1,628,775</u>	<u>3,336,586</u>	<u>3,212,444</u>
Discontinued operations:					
General capital assets					
Electronic data processing equipment and systems	5 Years	415	415	-	22
Equipment	10-20 Years	<u>-</u>	<u>-</u>	<u>-</u>	<u>343</u>
		<u>415</u>	<u>415</u>	<u>-</u>	<u>365</u>
		<u>\$ 4,965,776</u>	<u>\$ 1,629,190</u>	<u>\$ 3,336,586</u>	<u>\$ 3,212,809</u>

## Note 9 Net Contribution from General Revenues

Since revenues generated by the Ministry are less than the expenses of the Ministry, additional funding is provided from General Revenues of the Province. Net contributions to the Ministry from General Revenues together with the revenues reported by the Ministry provide the total funding for the Ministry's expenses.

Net contribution from General Revenues is calculated as follows:

	1998	1997
	(in thousands)	
Net Operating Results	<u>\$ 629,325</u>	<u>\$ 575,843</u>



## Note 10 Commitments

Commitments as at March 31, 1998 which will become liabilities if and when terms of existing contracts, agreements or legislation are met, follow:

<u>Fiscal Year</u>	<u>Capital Programs</u>	<u>Operating Programs</u>	<u>Grant Programs</u>	<u>Total</u>
		(in thousands)		
1999	\$ 70,101	\$ 199,537	\$ 52,793	\$ 322,431
2000	1,545	86,006	21,905	109,456
2001	1,114	64,505	6,681	72,300
2002	-	18,130	575	18,705
2003	-	267	-	267
Total	<u>\$ 72,760</u>	<u>\$ 368,445</u>	<u>\$ 81,954</u>	<u>\$ 523,159</u>

## Note 11 Contingencies

As at March 31, 1998 all obligations, contractual and contingent, arising from matters in dispute, threatened or pending legal action or other matters are estimated to total \$52,833 (1997 \$4,375). In the prior year, obligations for threatened or pending legal action or other matters that were administered by Alberta Justice on behalf of the Ministry in the amount of \$41,099 were reported by another government department. The amount of similar items reported by the Ministry as at March 31, 1998 is \$50,065.

## Note 12 Deficit

The deficit results from accumulated gas operations to date. The deficit for 1997, of \$1,162, was the net result of Gas Alberta Operating Fund deficit (\$4,105) and a surplus from the Transportation Revolving Fund (\$2,943).

As at March 31, 1998 the accumulated surplus from the Transportation Revolving Fund was returned to General Revenues (see Note 3(d)).

#### Note 13 Related Party Transactions

The Ministry paid \$1,331 (1997 \$8,848) to various other Government of Alberta departments, agencies or funds for supplies and/or services during the fiscal year. In addition, the Ministry paid \$191 (1997 \$252) to Payment Systems Corporation (PSC), a joint venture with the Province of Alberta for computer processing.

Accommodations, legal, telecommunications, personnel, and certain financial costs were provided to the Ministry by other government organizations at no cost.

The Ministry received revenues of \$3,733 (1997 \$4,400) from sales and rentals to other provincial government ministries. In addition, the Ministry recovered costs from other Ministries of \$265 (1997 \$nil).

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses, and other rights. These amounts were incurred in the normal course of business and reflect charges applicable to all users.

Highway assets owned by the Department of Environmental Protection with a net book value of \$74,161 were transferred to the Ministry of Transportation and Utilities on March 31, 1998.

As a result of this transfer, contributions from General Revenues increased by \$74,161.

#### Note 14 Trust Funds Under Administration

The Ministry administers a trust fund that is a regulated fund consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the fund and administers it for the purposes of the trust, it is not included in the Ministry's financial statements.

The trust fund under the Ministry's administration is the Impaired Driving Initiatives Trust Fund with a balance of \$5 as at March 31, 1998 (1997 \$4).

#### Note 15 Advances Authorized for National Infrastructure Program

The National Infrastructure Program is a Canada/Alberta construction program representing a total infrastructure investment of \$618,400 shared by federal, provincial and local governments over five years. Included in the program is an enhancement of \$104,100 (provincial share of \$34,700) which was expended over the prior fiscal year. In addition to the provincial costs included in the statements, the federal portion is received by the province and paid to the applicable municipality through an authorized advance account administered by Alberta Treasury.

Note 15    Advances Authorized for National Infrastructure Program (continued)

As at March 31, 1998, the outstanding amount of the federal portion that will flow through to Alberta municipalities is \$12,000 (1997 \$38,600).

All provincial costs have been recorded by the Ministry up to and including the year ended March 31, 1998. The final projects that will be funded by the provincial and federal governments were approved in the prior fiscal period.

Note 16    Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

(a)    Capital Assets and Inventories Held for Resale

The Ministry maintains a portfolio of land (valued at \$228,138) held for future development of transportation systems. Periodically the Ministry is required to purchase a larger area than is needed for the highway as part of negotiations with landowners. The unused portion then becomes surplus and is disposed of by the Ministry.

The Ministry is in the process of identifying surplus properties which meet the above criteria. Where property has been identified as surplus, the value of the property has been removed from capital assets and included in an inventory of land held for resale at the lower of cost or estimated resale value. The properties that have been so identified are valued at \$3,848. Properties where final usage has not yet been determined are considered to be held for future development and are included in the Ministry's capital assets at historical cost.

The Ministry expects to complete its examination of all properties during the 1998/99 fiscal year. Material reclassifications of land from capital asset to surplus inventory are expected to occur during this period, however the dollar value cannot be accurately determined at this time.

(b)    Cost Sharing with Federal Government

The accounts receivable include claims for disaster recovery program cost sharing from the Federal Government and are subject to their audit adjustments. The adjustments are not known but could reduce the amount recovered significantly. The amount of such claims included in accounts receivable is \$46,852.



#### Note 17    Uncertainty Due to the Year 2000

The year 2000 issue is the result of some computer programs being written using two digits rather than four to define the applicable year. Government computer programs that have date sensitive software may recognize a date using “00” as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. In addition, similar problems may arise in some systems if certain dates in 1999 are not recognized as a valid date or are recognized to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the effect on operation and financial reporting may range from minor errors to significant systems failure that could affect the ability to conduct some government operations.

The government is currently working to resolve the potential effect of the year 2000 on the processing of date sensitive information by the government’s computerized information systems in a timely manner. The costs of addressing potential problems by modifying, replacing or retiring significant portions of computerized information systems are not expected to have a material adverse effect on the province’s financial condition. Despite the government’s efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the government, including those related to the efforts of customers, suppliers and other third parties will be fully resolved.

#### Note 18    Subsequent Events

##### Gas Alberta Operating Fund

The agreements to transfer the operations of the Gas Alberta Operating Fund to the private sector (see note 4(a)) and to assign contracts that are integral to the operations of the Fund were executed on June 17, 1998.

#### Note 19    Comparative Figures

Certain 1997 figures have been reclassified to conform to the 1998 presentation.

#### Note 20    Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister of the Ministry.

MINISTRY OF TRANSPORTATION AND UTILITIES  
CONSOLIDATED SCHEDULE OF REVENUES  
FOR THE YEAR ENDED MARCH 31, 1998  
(in thousands)

	<u>1998</u>		<u>1997</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Transfers from Government of Canada:			
Disaster assistance programs	\$ 704	\$ 15,089	\$ 16,627
National Highway Improvement Program	-	-	1,150
Other	-	1,325	587
	<u>704</u>	<u>16,414</u>	<u>18,364</u>
Fees, Permits and Licenses			
Motor transport services	12,618	19,496	15,061
Lottery licenses	-	-	(1)
Airport revenue	-	-	26
	<u>12,618</u>	<u>19,496</u>	<u>15,086</u>
Investment Income			
Investment income	1,375	744	1,253
Amortization of loan discounts	-	960	-
Amortization of receivable discounts	-	854	854
	<u>1,375</u>	<u>2,558</u>	<u>2,107</u>
Vehicle, materials and supplies operations	<u>5,023</u>	<u>4,103</u>	<u>5,377</u>
Other Revenue			
Refunds of expenditure			
Previous year's refunds	3,530	3,073	1,200
Lethbridge railway relocation	-	-	239
Other	-	(52)	1,380
Miscellaneous			
Rentals	200	296	271
Cost recoveries	485	2,623	1,472
Other	400	996	593
	<u>4,615</u>	<u>6,936</u>	<u>5,155</u>
Total Revenue	<u>\$ 24,335</u>	<u>\$ 49,507</u>	<u>\$ 46,089</u>

## MINISTRY OF TRANSPORTATION AND UTILITIES

CONSOLIDATED SCHEDULE OF EXPENSES DETAILED BY OBJECTFOR THE YEAR ENDED MARCH 31, 1998

(in thousands)

	1998		1997
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Salaries, wages and employee benefits	\$ 37,759	\$ 36,590	\$ 44,782
Supplies and services	319,602	306,861	321,724
Grants	135,508	281,437	206,223
Financial transactions and other	45	(52)	45
Amortization of capital assets	96,037	93,532	93,221
Less expenses for discontinued operations	<u>(41,948)</u>	<u>(41,826)</u>	<u>(57,338)</u>
Total expenses for operations	<u>\$547,003</u>	<u>\$676,542</u>	<u>\$ 608,657</u>



MINISTRY OF TRANSPORTATION AND UTILITIESCONSOLIDATED SCHEDULE OF PURCHASES OF CAPITAL ASSETS BY TYPEFOR THE YEAR ENDED MARCH 31, 1998

(in thousands)

	1998		1997
	Budget	Actual	Actual
Highways	\$ 110,765	\$ 105,576	\$ 84,746
Bridges	16,155	17,048	18,878
Land	6,000	13,780	6,655
Buildings	800	1,455	438
Electronic data processing equipment and systems	2,410	3,975	2,645
Equipment	420	5,861	4,104
	136,550	147,695	117,466
Highways transferred from another Ministry at net book value (Note 13)	-	74,161	-
	<u>\$ 136,550</u>	<u>\$ 221,856</u>	<u>\$ 117,466</u>



# **Department of Transportation and Utilities**

---

Financial Statements

March 31, 1998





DEPARTMENT OF TRANSPORTATION AND UTILITIES

FINANCIAL STATEMENTS

MARCH 31, 1998

Auditor's Report

Statement of Revenues and Expenses

Statement of Changes in Financial Position

Statement of Assets and Liabilities

Notes to the Financial Statements

Schedule of Revenues

Schedule of Budgeted Revenues and Expenses

Schedule of Expenses Detailed by Object

Schedule of Purchases of Capital Assets

Schedule of Salaries and Benefits

Schedule of Comparison of Expenses by Element to Authorized Budget



## AUDITOR'S REPORT

To the Minister of Transportation and Utilities

I have audited the statement of assets and liabilities of the Department of Transportation and Utilities as at March 31, 1998 and the statements of revenues and expenses and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

### Inventories held for consumption

As a change in the accounting policy for the reporting of inventories held for consumption took place in the current year (note 3), I was not able to verify the physical inventories at the beginning of the year nor satisfy myself concerning those inventory quantities by alternative means. Since opening inventories enter into the determination of the results of operations and changes in financial position, I was unable to determine whether adjustments to expenses, net operating results for the year, opening amount due to General Revenues and cash provided by operations might be necessary.

The Department of Transportation and Utilities is required to follow the corporate government accounting policies and reporting practices as disclosed in Note 3. These accounting policies have been established by Alberta Treasury and are consistent across departments. With certain exceptions, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies the exceptions from generally accepted accounting principles that arise from following the accounting policies established by Alberta Treasury.



The following accounting policies are exceptions from generally accepted accounting principles:

#### Pension obligations

Obligations to pension plans for current and former employees of the Department have not been recognized as a liability in the accompanying statement of assets and liabilities and consequently the annual change in the liability has not been recognized in the statement of revenues and expenses. In my view, on a basis of allocation similar to that used for Provincial agencies, an amount of approximately \$3,585,000 due to pension plans at March 31, 1998, in the Department's capacity as employer, and which is reflected in the financial statements of the Department of Treasury, should be recognized as a liability in these financial statements. The effect of not recognizing the annual change in the liability is to overstate expenses for the year ended March 31, 1998, by approximately \$3,211,000.

#### Long term disability benefits

Unfunded accrued long-term disability benefits have not been recognized as a liability in the accompanying statement of assets and liabilities and related expenses have not been recognized in the statement of revenues and expenses. During the year ended March 31, 1998, the liability for the benefits for all departments, which was recorded in the financial statements of the Department of Treasury, was fully funded. However, unfunded benefits for all departments that were recorded in the financial statements of the two Long-term Disability Benefit Funds have not been allocated. In my view, the Department's liabilities at March 31, 1998 are understated by approximately \$202,000 and expenses for the year ended March 31, 1998 are understated by approximately \$622,000.

#### Site restoration costs

The Department reports the costs of reclaiming gravel pits and fuel tank sites in the period in which the restoration work is performed rather than in the periods in which the liabilities arise. In my view, the Department should estimate the cost and record the liability for site restoration when the gravel is excavated and when the fuel tank sites are acquired. The estimate of the liability should be refined each year, as the extent of required restoration work becomes known. I believe that the effect of this departure from generally accepted accounting principles is significant.

#### Excluded direct costs

Accommodation and certain other administration costs incurred in the operation of the Department have not been included in expenses. These costs, estimated at \$4,914,000 for accommodation only, are recorded by the departments that paid the expenses on behalf of the Department of Transportation and Utilities.

In my opinion, except for the effects of the matters discussed in the preceding section, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

*Peter Valentine, FCA*  
Auditor General

Edmonton, Alberta  
May 22, 1998

*The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.*



**DEPARTMENT OF TRANSPORTATION AND UTILITIES**  
**STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 1998**  
(in thousands)

	1998		1997
	Budget (Schedule 2)	Actual	Actual
Revenues: (Schedule 1)			
Internal government transfers (Note 3(d))	\$ -	\$ 3,873	\$ -
Transfers from Government of Canada	704	16,414	18,364
Fees, permits and licenses	12,618	19,496	15,086
Investment income	1,375	2,558	2,107
Other revenue	4,915	7,236	5,455
	<u>19,612</u>	<u>49,577</u>	<u>41,012</u>
Expenses: (Schedules 3 and 6)			
VOTED			
Departmental support services	14,245	19,134	15,849
Construction and operation of transportation systems	500,156	582,760	504,322
National Infrastructure Program	313	185	34,785
Partnership for municipal and rural utilities	25,113	37,526	34,362
Disaster recovery	2,784	33,581	24,086
	<u>542,611</u>	<u>673,186</u>	<u>613,404</u>
VALUATION ADJUSTMENTS			
Provisions for doubtful accounts	-	4,350	383
Adjustment for accrued vacation pay	-	211	(734)
	<u>-</u>	<u>4,561</u>	<u>(351)</u>
(Gain)/loss on disposition of capital assets	-	(79)	3,802
(Gain) on disposition of loan portfolio (Note 5)	-	(4,165)	-
Write down of capital assets	-	1,526	-
	<u>542,611</u>	<u>675,029</u>	<u>616,855</u>
Net Operating Results	(522,999)	(625,452)	(575,843)
Net Contribution from General Revenues (Note 7)	<u>522,999</u>	<u>625,452</u>	<u>575,843</u>
Net Income (Loss)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes and schedules are part of these financial statements.



DEPARTMENT OF TRANSPORTATION AND UTILITIES  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED MARCH 31, 1998  
(in thousands)

	<u>1998</u>	<u>1997</u>
Operating Transactions:		
Net Operating Results	\$ (625,452)	\$ (575,843)
Non-cash items included in Net Operating Results:		
Amortization	90,448	88,407
(Gain)/loss on disposal of capital property	(4,244)	3,802
Write down of capital assets	1,526	-
Amortization of discounts	(854)	(854)
Valuation adjustments	<u>4,561</u>	<u>(351)</u>
	(534,015)	(484,839)
(Increase) decrease in accounts receivable	(11,537)	94,489
(Increase) decrease in loans and advances	(47)	1,449
Increase in inventories held for consumption	(5,114)	-
Decrease in inventories held for resale	246	-
Decrease in accounts payable and accrued liabilities	<u>(10,077)</u>	<u>(32,956)</u>
Net cash used in operations	(560,544)	(421,857)
Net contribution from General Revenues	<u>625,452</u>	<u>575,843</u>
Cash provided by operating transactions	<u>64,908</u>	<u>153,986</u>
Investing Transactions:		
Purchase of capital assets (Schedule 4)	(132,603)	(110,747)
Transfer of capital assets from other entities (Note 10)	(108,472)	-
Proceeds on disposition of capital assets	1,486	1,030
Proceeds on disposition of loan portfolio (Note 5)	<u>22,570</u>	<u>-</u>
Cash used for investing transactions	<u>(217,019)</u>	<u>(109,717)</u>
Net cash provided (used)	(152,111)	44,269
Due to General Revenues, beginning of year	<u>(3,184,936)</u>	<u>(3,229,205)</u>
Due to General Revenues and cash, end of year	<u>\$ (3,337,047)</u>	<u>\$ (3,184,936)</u>
Due to General Revenues and cash represented by:		
Due to General Revenues	\$ (3,338,335)	\$ (3,184,936)
Cash	<u>1,288</u>	<u>-</u>
	<u>\$ (3,337,047)</u>	<u>\$ (3,184,936)</u>

The accompanying notes and schedules are part of these financial statements

DEPARTMENT OF TRANSPORTATION AND UTILITIES  
STATEMENT OF ASSETS AND LIABILITIES  
AS AT MARCH 31, 1998  
(in thousands)

	<u>1998</u>	<u>1997</u>
<u>ASSETS</u>		
Cash	\$ 1,288	\$ -
Accounts receivable (Note 4)	64,756	56,715
Loans and advances (Note 5)	274	19,096
Inventories held for consumption	7,546	2,432
Inventories held for resale (Note 13)	3,848	4,094
Capital assets (Note 6)	<u>3,336,586</u>	<u>3,188,428</u>
	<u>\$3,414,298</u>	<u>\$3,270,765</u>
<u>LIABILITIES</u>		
Accounts payable and accrued liabilities	\$ 70,782	\$ 82,075
Holdbacks payable	5,181	3,754
Due to General Revenues	<u>3,338,335</u>	<u>3,184,936</u>
	<u>\$3,414,298</u>	<u>\$3,270,765</u>

The accompanying notes and schedules are part of these financial statements.

# DEPARTMENT OF TRANSPORTATION AND UTILITIES

## NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1998

(in thousands)

Note 1 Authority

The Department of Transportation and Utilities operates under the authority of the Government Organization Act, Statutes of Alberta.

Note 2 Purpose

The Department is responsible for:

- The development, construction and maintenance of an integrated transportation system to facilitate the safe and efficient movement of people and products that will enhance the economic development of the Province.
- Assisting in the provision of certain essential utility services which affect the daily lives of Albertans. These services relate primarily to water supply and waste water facilities, electricity and natural gas.
- The administration of the Canada/Alberta Infrastructure Program which provides funding for a wide variety of municipal infrastructure projects.
- The development of an overall provincial program of preparedness for, and response to emergencies and disasters, and for the administration and enforcement of the federal and provincial regulations pertaining to the movement of dangerous goods.
- Providing a fleet of automobiles and light vehicles for lease by the Government of Alberta.

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. The recommendations of the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector of analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting and Auditing Board where it is considered appropriate.

(a)    Reporting Entity

The reporting entity is the Department of Transportation and Utilities, which is part of the Ministry of Transportation and Utilities and for which the Minister of Transportation and Utilities is accountable. Other entities reporting to the Minister include the Gas Alberta Operating Fund, and the Transportation Revolving Fund. The activities of these organizations are not included in these financial statements.

Since significant financial transactions of the Ministry are reported outside the Departmental financial statements, the Ministry financial statements provide a more comprehensive accounting of the financial position and results of the Ministry's operations. The Ministry Annual Report provides a more complete picture of the responsibilities for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Provincial Treasurer. All revenues collected by the departments are deposited into the Fund and all disbursements made by the departments are paid from the Fund.

(b)    Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.



(b)    Basis of Financial Reporting (continued)

Internal Government Transfers

Transfers from other entities within the government reporting entity are classified as internal government transfers. Internal government transfers exclude the net contribution from General Revenues.

Expenses

Expenses represent the costs of resources consumed during the year on the Department's operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for employees' service relating to prior years.

Certain expenses, primarily for office space, legal advice, and banking services, incurred on behalf of the Department by other Ministries are not reflected in the Statement of Revenues and Expenses.

Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to guarantees and indemnities of the Department.

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals as well as inventories.

Inventories are valued at the lower of cost and net realizable value. Inventories held for consumption include gravel and winter ice control materials.

(b) Basis of Financial Reporting (continued)

Assets (continued)

Capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. All land is capitalized. The threshold for capitalizing new systems development is \$100 and the threshold for all other capital assets is \$15. Capital assets are restricted to those acquired for cash or exchanged for other assets, except for the pipelines which were donated to the Department of Transportation and Utilities. The pipelines were capitalized at the present value of the expected future revenues that will be generated over their useful lives. Other assets acquired by right or paid for by others are recorded at zero cost.

Liabilities

Liabilities include all financial claims payable by the Department at fiscal year end, except long-term disability benefits and certain pension benefits which are reflected in the financial statements of Treasury Department on behalf of all departments.

Due to General Revenues is the difference at fiscal year end between the value of assets held by the Department and its liabilities.

Site Restoration Costs

Costs for gravel pit and fuel tank site restoration are recognized in the financial statements when the work is undertaken. No annual provision is made for future removal and site restoration.

(c) Change in Accounting Policy

Effective April 1, 1996, valuation adjustments that were previously reported in the financial statements of Treasury on behalf of the Department, are reported by the Department in the Statement of Revenues and Expenses. Net operating results decreased and the net contributions from General Revenues increased by \$203 (1997-net operating results increased and net contributions from General Revenues has decreased by \$351) as a result of this change.

Effective April 1, 1996, the Department reports liabilities associated with vacation entitlements. These liabilities were previously reported in the financial statements of Treasury. Accounts payable and accrued liabilities has increased and Due to General Revenues has decreased by \$5,061 (1997 \$4,850) as a result of this change.

(c) Change in Accounting Policy (continued)

Effective April 1, 1996, the Department reports the value of operating inventories as assets. These inventories were previously expensed as purchased. Inventories and Due to General Revenues have increased by \$7,546 (1997 \$2,432) as a result of this change. Operating expenses and Net Contribution from General Revenues are lower by \$4,307 (1997 \$nil) as a result of this change.

(d) Dissolution of Transportation Revolving Fund

On December 1, 1997, management decided to discontinue the operations of the Transportation Revolving Fund. The Transportation Revolving Fund ceased at March 31, 1998, and the following assets and liabilities were transferred to the Department at net book value.

Accounts receivable	\$ 474
Inventories held for consumption	806
Capital assets and land	34,312
Accounts payable and accrued liabilities	<u>(1,867)</u>
	<u>\$ 33,725</u>
Due to General Revenues at March 31, 1998	\$ 29,852
Surplus returned to the Department	<u>3,873</u>
	<u>\$ 33,725</u>

The operations of the Fund are being continued as operations of the Department.

Note 4      Accounts Receivable

	<u>1998</u>	<u>1997</u>
	(in thousands)	
Government of Canada - Disaster Recovery	\$46,852	\$36,838
Receivable from Canadian National Railways(*)	9,371	11,610
Accrued interest receivable	-	481
Other	8,614	7,876
Allowance for doubtful accounts	<u>(81)</u>	<u>(90)</u>
Total	<u><u>\$64,756</u></u>	<u><u>\$56,715</u></u>

Accounts receivable are unsecured and non interest bearing.

- (\*) This receivable is a result of the sale of Alberta Resources Railway to Canadian National Railways in December, 1995. Annual payments are required on January 1, in the amount of \$3,093 and the receivable matures January 1, 2003.

The receivable is disclosed net of a discount of \$4,129 (1997 \$4,983) which is being amortized to income over the term of the agreement. The total amortization for the year ended March 31, 1998 was \$854 (1997 \$854).

Note 5      Loans and Advances

	<u>1998</u>			<u>1997</u>	
	<u>Gross Amount</u>	<u>Loan Discount</u>	Allowance for Doubtful Accounts (in thousands)	Net Realizable Value	Net Realizable Value
Travel advances	\$ 157	\$ -	\$ -	\$ 157	\$ 147
Loans receivable:					
10 year loans	28	-	(7)	21	5,419
25 year loans	128	-	(32)	96	10,712
Capital rebuild loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,818</u>
	<u>156</u>	<u>-</u>	<u>(39)</u>	<u>117</u>	<u>18,949</u>
	<u><u>\$ 313</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (39)</u></u>	<u><u>\$ 274</u></u>	<u><u>\$ 19,096</u></u>



Note 5      Loans and Advances (continued)

Loans have been provided to Albertans in rural areas under the Rural Electrification Loans Program to help finance the costs of installing electricity into homes. Capital Rebuild Loans were issued to Rural Electrification Associations to rebuild, maintain or improve their electrical distribution systems.

The Rural Electrification Loans portfolio was sold to a financial institution November 28, 1997 for proceeds of \$22,570. The financial institution advances the loans and accepts all risks for their collection. The Department remains as the administrator of the program but does not guarantee the loaned amounts.

The 10 year loans, issued under the Rural Electrification Loan Act, are repayable at 10% of principal per annum plus interest that ranges from 3.5% to 9.75%, as determined when the loans were issued. Repayment commences one year after the loan is issued.

The 25 year loans, issued under the Rural Electrification Long Term Financing Act, are repayable over 25 years at interest rates that range from 3.5% to 9.75%, as determined when the loans were issued. The capital rebuild loans are repayable over the 25 years and are interest free.

The loan discount amount is the difference between the face value of the loan and the present value of the loan as calculated using the blended cost of government borrowing at the date the loan is issued. The discount is amortized to income on a straight-line basis over the term of the loan. Discounts on new loans are recorded as grants in the year the loan is issued.

The allowance for doubtful accounts is established at 25% of the remaining loans balances outstanding for 10 and 25 year loans. Loan write-offs for the year were \$2 (1997 \$3).

Note 6      Capital Assets

The cost of the assets and amortization for the Department are summarized below.

Highways include original pavement, roadbed, drainage works, and traffic control devices. Equipment includes pipelines, vehicle inspection stations, scales and lighting, ferries, automobiles and light vehicles.

Note 6 Capital Assets (continued)

Work in progress is included in the totals shown but is not amortized until put into service.

	Estimated Useful Life	1998			1997
		Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Highways	50 Years	\$ 4,196,814	\$ 1,446,049	\$ 2,750,765	\$ 2,651,060
Bridges	50 Years	450,385	136,284	314,101	305,949
Infrastructure assets		4,647,199	1,582,333	3,064,866	2,957,009
Land	-	228,138	-	228,138	212,306
Buildings	25 Years	13,037	4,368	8,669	7,524
Equipment	5-50 Years	62,103	33,676	28,427	6,826
Electronic data processing equipment and systems	5 Years	14,884	8,398	6,486	4,763
General capital assets		318,162	46,442	271,720	231,419
		\$ 4,965,361	\$ 1,628,775	\$ 3,336,586	\$ 3,188,428

Note 7 Net Contribution from General Revenues

Since revenues generated by the Department are less than the expenses of the Department, additional funding is provided from General Revenues of the Province. Net contributions to the Department from General Revenues together with the revenues reported by the Department provides the total funding for the Department's expenses.

Net contribution from General Revenues is calculated as follows:

	1998	1997
Net Operating Results	<u>\$625,452</u>	<u>\$575,843</u>

## Note 8 Commitments

As at March 31, 1998, The Department is committed to capital construction, operating, and grant programs totaling \$523,159 (1997 \$555,901). The following table summarizes the commitments of the Department for contracts in effect as at March 31, 1998:

<u>Fiscal Year</u>	<u>Capital Programs</u>	<u>Operating Programs</u>	<u>Grant Programs</u>	<u>Total</u>
		(in thousands)		
1999	\$ 70,101	\$ 199,537	\$ 52,793	\$ 322,431
2000	1,545	86,006	21,905	109,456
2001	1,114	64,505	6,681	72,300
2002	-	18,130	575	18,705
2003	-	267	-	267
Total	<u>\$ 72,760</u>	<u>\$ 368,445</u>	<u>\$ 81,954</u>	<u>\$ 523,159</u>

## Note 9 Contingencies

As at March 31, 1998 all obligations, contractual and contingent, arising from matters in dispute, threatened or pending legal action or other matters are estimated to total \$52,833 (1997 \$4,375). In the prior year, obligations for threatened or pending legal action or other matters that were administered by Alberta Justice on behalf of the Department in the amount of \$41,099 were reported by another government department. The amount of similar items reported by the Department as at March 31, 1998 is \$50,065.

## Note 10 Related Party Transactions

The Department paid \$1,326 (1997 \$8,662) to various other Government of Alberta departments, agencies or funds for supplies and/or services during the fiscal year. In addition, the Department paid \$186 (1997 \$227) to Payment Systems Corporation (PSC), a joint venture with the Province of Alberta for computer processing. In addition, the Department recovered costs from other departments of \$265 (1997 \$nil). Accommodations, legal, telecommunications, personnel, and certain financial costs were provided to the Department by other government organizations at no cost. Included in the financial statements are payables of \$nil (1997 \$477) relating to transactions with the Transportation Revolving Fund. During the year the Department paid the Transportation Revolving Fund \$814 (1997 \$10,306) for equipment rentals and sales.



Note 10 Related Party Transactions (continued)

The Department leases a pipeline to the Gas Alberta Operating Fund for \$300 per year.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses, and other rights. These amounts were incurred in the normal course of business and reflect charges applicable to all users.

Highway assets owned by the Department of Environmental Protection and land and equipment owned by the Transportation Revolving Fund were transferred to the Department of Transportation and Utilities at net book value on March 31, 1998.

Land	\$ 13,004
Equipment	21,307
Highways	<u>74,161</u>
	<u>\$ 108,472</u>

As a result of this transfer, contributions from General Revenues increased by \$108,472.

Note 11 Trust Funds Under Administration

The Department administers a trust fund that is a regulated fund consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the fund and administers it for the purposes of the trust, it is not included in the Department's financial statements.

The trust fund under the Department's administration is the Impaired Driving Initiatives Trust Fund with a balance of \$5 as at March 31, 1998 (1997 \$4).

Note 12 Payments Under Agreement

The National Infrastructure Program is a Canada/Alberta construction program representing a total infrastructure investment of \$618,400 shared by federal, provincial and local governments over five years. Included in the program is an enhancement of \$104,100 (provincial share of \$34,700) which was expended over the fiscal year. In addition to the provincial costs included in the statements, the federal portion is received by the province and paid to the applicable municipality through an authorized advance account administered by Alberta Treasury.



## Note 12 Payments Under Agreement (continued)

As at March 31, 1998, the outstanding amount of the federal portion that will flow through to Alberta municipalities is \$12,000 (1997 \$38,600).

All provincial costs have been recorded by the Department up to and including the year ended March 31, 1998. The final projects that are to be funded by the provincial and federal governments were approved in the fiscal period ending March 31, 1997.

## Note 13 Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

### (a) Capital Assets and Inventories Held for Resale

The Department maintains a portfolio of land (valued at \$ 228,138) held for future development of transportation systems. Periodically the Department is required to purchase a larger area than is needed for the highway as part of negotiations with landowners. The unused portion then becomes surplus and is disposed of by the Department.

The Department is in the process of identifying surplus properties which meet the above criteria. Where property has been identified as surplus, the value of the property has been removed from capital assets and included in an inventory of land held for resale at the lower of cost or estimated resale value. The properties that have been so identified are valued at \$3,848. Properties where final usage has not yet been determined are considered to be held for future development and are included in the Department's capital assets at historical cost.

The Department expects to complete its examination of all properties during the 1998/99 fiscal year. Material reclassifications of land from capital asset to surplus inventory are expected to occur during this period, however the dollar value cannot be accurately determined at this time.

### (b) Cost Sharing with Federal Government

The accounts receivable include claims for disaster recovery program cost sharing from the Federal Government and are subject to their audit adjustments. The adjustments are not known but could reduce the amount recovered significantly. The amount of such claims included in accounts receivable are \$46,852.

#### Note 14    Uncertainty Due to the Year 2000

The year 2000 issue is the result of some computer programs being written using two digits rather than four to define the applicable year. Government computer programs that have date sensitive software may recognize a date using “00” as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. In addition, similar problems may arise in some systems if certain dates in 1999 are not recognized as a valid date or are recognized to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the effect on operation and financial reporting may range from minor errors to significant systems failure that could affect the ability to conduct some government operations.

The government is currently working to resolve the potential effect of the year 2000 on the processing of date sensitive information by the government’s computerized information systems in a timely manner. The costs of addressing potential problems by modifying, replacing or retiring significant portions of computerized information systems are not expected to have a material adverse effect on the province’s financial condition. Despite the government’s efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the government, including those related to the efforts of customers, suppliers and other third parties will be fully resolved.

#### Note 15    Comparative Figures

Certain 1997 figures have been reclassified to conform to the 1998 presentation.

#### Note 16    Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

DEPARTMENT OF TRANSPORTATION AND UTILITIES  
SCHEDULE OF REVENUES  
FOR THE YEAR ENDED MARCH 31, 1998  
(in thousands)

	1998		1997
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Internal Government Transfers			
Transfers from departments	\$ -	\$ 3,873	\$ -
	<u>-</u>	<u>3,873</u>	<u>-</u>
Transfers from Government of Canada:			
Disaster assistance programs	704	15,089	16,627
National Highway Improvement Program	-	-	1,150
Other	-	1,325	587
	<u>704</u>	<u>16,414</u>	<u>18,364</u>
Fees, Permits and Licences			
Motor transport services	12,618	19,496	15,061
Lottery licenses	-	-	(1)
Airport revenue	-	-	26
Other	-	-	-
	<u>12,618</u>	<u>19,496</u>	<u>15,086</u>
Investment Income			
Investment income	1,375	744	1,253
Amortization of loan discounts	-	960	-
Amortization of receivable discounts	-	854	854
	<u>1,375</u>	<u>2,558</u>	<u>2,107</u>
Other Income			
Refunds of expenditure			
Previous year's refunds	3,530	3,073	1,200
Lethbridge railway relocation	-	-	239
Other	-	(52)	1,380
Miscellaneous			
Rentals	500	596	571
Cost recoveries	485	2,623	1,472
Other	400	996	593
	<u>4,915</u>	<u>7,236</u>	<u>5,455</u>
Total Revenue	<u>\$ 19,612</u>	<u>\$ 49,577</u>	<u>\$ 41,012</u>



DEPARTMENT OF TRANSPORTATION AND UTILITIES  
SCHEDULE OF BUDGETED REVENUES AND EXPENSES  
FOR THE YEAR ENDED MARCH 31, 1998  
(in thousands)

	<u>Original Estimates</u>	<u>Voted Supplementary</u>	<u>Authorized Budget</u>
Revenues:			
Transfers from Government of Canada	\$ 704	\$ -	\$ 704
Premiums, fees and licenses	12,618	-	12,618
Investment income	1,375	-	1,375
Other	4,915	-	4,915
	<u>\$ 19,612</u>	<u>\$ -</u>	<u>\$ 19,612</u>
Expenses:			
VOTED			
Departmental support services	\$ 14,245	\$ 110	\$ 14,355
Construction and operation of transportation systems	500,156	97,432	597,588
National Infrastructure Program	313	1	314
Partnership for municipal and rural utilities	25,113	7,020	32,133
Disaster recovery	2,784	32,062	34,846
	<u>\$ 542,611</u>	<u>\$ 136,625</u>	<u>\$ 679,236</u>
	<u>\$ (522,999)</u>	<u>\$ (136,625)</u>	<u>\$ (659,624)</u>

- (a) In the event that actual voted expenses exceed that budgeted, the Department will report net liabilities. In the subsequent year, the Department will need to reduce its actual voted expenses below the amount budgeted to compensate for the net liabilities.
- (b) In the event that actual statutory expenses, actual valuation adjustments and actual loss on disposal of capital assets exceed that budgeted, General Revenues will contribute enough funding to prevent net liabilities in the Department.
- (c) Supplementary estimates include \$863 for management and employee bonus plans. This amount is a transfer in accordance with the Appropriation (Supplementary Supply) Act, 1998.



DEPARTMENT OF TRANSPORTATION AND UTILITIESSCHEDULE OF EXPENSES DETAILED BY OBJECTFOR THE YEAR ENDED MARCH 31, 1998

(in thousands)

	1998		1997
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Voted:			
Salaries, wages and employee benefits (Schedule 5	\$ 37,219	\$ 36,091	\$ 42,284
Supplies and services	277,839	265,152	276,445
Grants	135,508	281,437	206,223
Financial transactions and other	45	58	45
Amortization of capital assets	<u>92,000</u>	<u>90,448</u>	<u>88,407</u>
Total voted expenses for operations	<u>\$542,611</u>	<u>\$673,186</u>	<u>\$ 613,404</u>

DEPARTMENT OF TRANSPORTATION AND UTILITIESSCHEDULE OF PURCHASES OF CAPITAL ASSETSFOR THE YEAR ENDED MARCH 31, 1998

(in thousands)

			1998			1997
	Original Estimates	Current Year Budget	Voted Supplementary	Authorized Budget	Actuals	Actuals
Ministry support services	\$ 2,410	\$ 2,410	\$ -	\$ 2,410	\$ 3,977	\$ 2,645
Construction and operation of transportation systems	134,140	134,140	1,000	135,140	128,626	108,102
	<u>\$ 136,550</u>	<u>\$ 136,550</u>	<u>\$ 1,000</u>	<u>\$ 137,550</u>	<u>\$ 132,603</u>	<u>\$ 110,747</u>

**DEPARTMENT OF TRANSPORTATION AND UTILITIES**  
**SCHEDULE OF SALARIES AND BENEFITS**  
**FOR THE YEAR ENDED MARCH 31, 1998**

	1998				1997	
	# of Individuals (2)	Salary (3)	Benefits & Allowances (4)	Total	# of Individuals (2)	Total
Deputy Minister <sup>(5)</sup>	1.0	\$ 116,273	\$ 4,992	\$ 121,265	1.0	\$ 119,241
Assistant Deputy Ministers				-		
Technical & Safety Services Division	1.0	97,589	15,789	113,378	1.0	97,780
Corporate Services <sup>(6)</sup>				-	0.5	47,529
Traffic Safety Services	1.0	96,682	21,549	118,231		
Regional Services Division	1.0	93,773	14,489	108,262	0.5	46,562
Finance and Administration Division <sup>(6)</sup>	1.0	96,691	20,658	117,349	0.5	48,026
Contracts and Infrastructure Management Division				-	1.0	91,563
Transition Management <sup>(6)</sup>				-	0.5	49,666
Information Technology and Utilities Services Division				-	0.5	48,205
Other Managers <sup>(7)</sup>						
Averages: 1997/98 - \$81,150	108.0	7,274,607	1,489,646	8,764,253	114.0	8,645,466
1996/97 - \$75,837						
Other Staff <sup>(8)</sup>						
Averages: 1997/98 - \$47,556	603.0	24,746,595	3,929,694	28,676,289	744.0	35,532,865
1996/97 - \$47,759						
Non-salaried staff		712,508	52,924	765,432		1,669,089
Motor Transport and Driver Control Boards						
Chairman <sup>(9)</sup>	0.8	65,708	29,537	95,245	1.0	97,548
Part-time Board Members <sup>(10)</sup>	32.0	167,233		167,233	29.0	177,855
	<u>748.8</u>	<u>33,467,659</u>	<u>5,579,278</u>	<u>39,046,937</u>	<u>893.5</u>	<u>46,671,395</u>
Adjustments						
Salaries and Benefits Capitalized		(2,088,476)	(299,314)	(2,387,790)		(1,780,887)
Part-time Board Members		(167,233)		(167,233)		(177,855)
Other			97,717	97,717		63,603
Gas Alberta Operating Fund		(233,434)	(36,025)	(269,459)		(356,811)
Transportation Revolving Fund		(197,261)	(32,010)	(229,271)		(2,135,865)
		<u>\$ 30,781,255</u>	<u>\$ 5,309,646</u>	<u>\$ 36,090,901</u>		<u>\$ 42,283,580</u>

- (1) This salary and benefits statement reflects amounts paid to or for employees funded by:
- the voted appropriations for the Department;
  - the Transportation Revolving Fund; and
  - the Gas Alberta Operating Fund.

The amounts disclosed for salary and benefits are derived from final amounts recorded in the reports provided by the Departmental Financial System.

- (2) The number of individuals is full-time equivalents. Full-time equivalents are based on the ratio of salary earned over the expected annual salary.

The number of individuals shown for part-time members of the Motor Transport and Driver Control Boards is the actual number of positions on the Boards that are not occupied by employees of the Province of Alberta.

- (3) Salary includes regular gross pay and supplementary payments such as shift differential and overtime. Salaried employee vacation payouts of \$1.0 million in 1997/98 are excluded from salary totals and included in Benefits and Allowances. Wage holiday payments are included in salary.
- (4) Benefits and allowances include employer contributions for health care, workers' compensation, life insurance, pension and dental plans, disability insurance, tuition and professional membership fees, and vacation payouts for salaried employees.
- (5) An automobile was provided, but no amount is included in benefits and allowances for purposes of this schedule.
- (6) On October 1, 1996 the Department was reorganized. The former Corporate Services Division was divided into the Finance and Administration Division and the Information Technology and Utility Services Division. The Transition Management Division was dissolved and the Regional Services Division was created.

On April 1, 1997 the former Contracts and Infrastructure Division ceased to be a Division and its staff was integrated into other Divisions on August 15, 1997. Also on April 1, 1997 the former Information Technology and Utility Services Division was dissolved.

- (7) Other managers are those employees who are in management classifications but not members of the executive of the Department.
- (8) Other staff includes salaried employees of the Department in non-management categories and paid through the government payroll system. It does not include salaries and benefits paid under the Summer Temporary Employment Program (STEP) or the Employment Skills Program.

Wage employees are full and part-time staff who are paid on an hourly basis.

- (9) On December 31, 1997 the Chairman of the Motor Transport and Driver Control Boards retired and the positions of Chairman were assumed by the Assistant Deputy Minister, Traffic Safety Services.
- (10) Members of the Boards are paid between \$85.50 to \$247.00 per meeting attended based on time.

The Chairman of the Boards and a member of the Motor Transport Board are government employees and do not receive additional compensation for attending meetings.



## SCHEDULE OF COMPARISON OF EXPENSES BY ELEMENT TO AUTHORIZED BUDGET

FOR THE YEAR ENDED MARCH 31, 1998

(in thousands)

	Original Estimates	Voted Supplementary	Authorized Budget	Current Year Actuals	Unexpended (Over Expended)
Expenses:					
Voted					
Program 1					
Minister's Office	\$ 210	\$ 3	\$ 213	\$ 227	\$ (14)
Deputy Minister's Office	312	5	317	340	(23)
Information Technology Services	7,718	20	7,738	12,638	(4,900)
Other Corporate Services	6,005	82	6,087	5,929	158
	<u>14,245</u>	<u>110</u>	<u>14,355</u>	<u>19,134</u>	<u>(4,779)</u>
Program 2					
Traffic Safety Services	-	262	262	17,397	(17,135)
Traffic Safety Board	3,395	6	3,401	602	2,799
Contract Services	1,883	34	1,917	1,753	164
Technical Services	16,440	145	16,585	8,414	8,171
Regional Service Delivery	12,203	149	12,352	8,171	4,181
Primary Highway Construction	7,004	51	7,055	9,888	(2,833)
Primary Highway Maintenance and Preservation	135,821	85	135,906	125,483	10,423
Maintenance of Public Roads on Indian Reserves and Metis Settlements	1,000	-	1,000	2,150	(1,150)
Ancillary Infrastructure	3,391	-	3,391	2,791	600
Infrastructure for New Industry	-	3,700	3,700	3,753	(53)
North-South Trade Corridor	-	25,000	25,000	31,403	(6,403)
Grants to Rural Municipalities	34,144	29,000	63,144	63,405	(261)
Resource Roads	21,000	6,000	27,000	27,630	(630)
Grants to Transitioning Municipalities	16,402	3,000	19,402	19,133	269
Secondary Highways	86,373	-	86,373	80,122	6,251
Alberta Cities Transportation Partnership	59,100	25,000	84,100	79,302	4,798
Grants to Towns and Villages	10,000	5,000	15,000	15,222	(222)
Capital Amortization	92,000	-	92,000	90,448	1,552
	<u>500,156</u>	<u>97,432</u>	<u>597,588</u>	<u>587,067</u>	<u>10,521</u>
Program 3					
Support Services	113	1	114	128	(14)
National Infrastructure Program	200	-	200	57	143
	<u>313</u>	<u>1</u>	<u>314</u>	<u>185</u>	<u>129</u>
Program 4					
Rural Utility Grants and Services	6,113	2,020	8,133	11,232	(3,099)
Municipal Water and Wastewater Grants	19,000	5,000	24,000	26,294	(2,294)
	<u>25,113</u>	<u>7,020</u>	<u>32,133</u>	<u>37,526</u>	<u>(5,393)</u>
Program 5					
Disaster Services	2,784	32,062	34,846	33,581	1,265
Total voted expenses for operations	542,611	136,625	679,236	677,493	1,743
Adjustment for inventory increases	-	-	-	(4,307)	4,307
Net voted expenses for operations	<u>\$ 542,611</u>	<u>\$ 136,625</u>	<u>\$ 679,236</u>	<u>\$ 673,186</u>	<u>\$ 6,050</u>

# **Transportation Revolving Fund**

---

Financial Statements

March 31, 1998



TRANSPORTATION REVOLVING FUND

FINANCIAL STATEMENTS

MARCH 31, 1998

Auditor's Report

Statement of Operations and Surplus

Statement of Changes in Financial Position

Statement of Assets, Liabilities and Surplus

Notes to the Financial Statements

Schedule of Net Operating Results from Discontinued Operations

Schedule of Changes in Financial Position - Discontinued Operations





## AUDITOR'S REPORT

To the Minister of Transportation and Utilities

I have audited the statement of assets, liabilities and surplus of the Transportation Revolving Fund as at March 31, 1998 and the statements of operations and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Fund. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1998 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

*Peter Valentine, FCA*  
Auditor General

Edmonton, Alberta  
May 22, 1998

*The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.*



TRANSPORTATION REVOLVING FUND  
STATEMENT OF OPERATIONS AND SURPLUS  
FOR THE YEAR ENDED MARCH 31, 1998

	<u>1998</u>		<u>1997</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	<u>(Note 7)</u>		
Revenues:			
Vehicle operations	\$ 5,275,000	\$ 3,904,680	\$ 4,672,916
Gravel and land operations	-	627,645	1,515,844
Other	-	379,166	-
	<u>5,275,000</u>	<u>4,911,491</u>	<u>6,188,760</u>
Operating Expenses:			
Amortization	4,025,000	3,062,354	3,405,855
Cost of gravel and land sales	-	627,645	1,515,844
Salaries, wages and benefits	265,000	228,420	264,028
Contractual services	28,000	48,762	128,734
Data processing	-	1,382	-
Repairs and maintenance	200,000	145,671	121,343
Materials and supplies	50,000	35,213	39,926
Travel and insurance	34,000	-	27,639
Petroleum products	30,000	-	24,178
Freight and postage	1,000	812	-
Telephone	8,000	12,825	7,052
Rentals	3,000	1,318	1,515
Gain on disposal of capital assets	(197,000)	(205,355)	(204,060)
Severance	-	-	22,893
	<u>4,447,000</u>	<u>3,959,047</u>	<u>5,354,947</u>
Net operating results from continuing operations	828,000	952,444	833,813
Net operating results from discontinued operations (Schedule 1)	-	(22,349)	4,854,168
Net operating results for the year	<u>\$ 828,000</u>	930,095	5,687,981
Surplus (deficit), beginning of year		2,942,800	(2,745,181)
Surplus transferred to the Department of Transportation and Utilities		(3,872,895)	-
Surplus, end of year		<u>\$ -</u>	<u>\$ 2,942,800</u>

The accompanying notes and schedules are part of these financial statements.



TRANSPORTATION REVOLVING FUND  
STATEMENT OF CHANGES IN FINANCIAL POSITION  
FOR THE YEAR ENDED MARCH 31, 1998

	<u>1998</u>	<u>1997</u>
Operating Transactions:		
Net operating results from continuing operations:	\$ 952,444	\$ 833,813
Non-cash items included in net operating results:		
Amortization	3,062,354	3,405,855
Gain on disposal of capital assets	<u>(205,355)</u>	<u>(204,060)</u>
	<u>3,809,443</u>	<u>4,035,608</u>
Decrease (increase) in accounts receivable	1,322,838	1,471,378
Increase in land	(9,856,685)	(3,147,808)
Decrease in gravel	627,645	1,645,844
(Decrease) increase in accounts payable and accrued liabilities	<u>(234,504)</u>	<u>(434,171)</u>
	<u>(8,140,706)</u>	<u>(464,757)</u>
Net cash (used in) provided by continuing operations	(4,331,263)	3,570,851
Net cash provided by discontinued operations	<u>475,710</u>	<u>4,798,001</u>
Cash (used in) provided by operating transactions	<u>(3,855,553)</u>	<u>8,368,852</u>
Investing Transactions:		
Purchases of capital assets	(5,234,915)	(3,570,782)
Proceeds from disposal of capital assets	<u>1,938,275</u>	<u>1,276,925</u>
Net cash generated from investing transactions of continuing operations	(3,296,640)	(2,293,857)
Net cash generated from investing activities of discontinued operations (Schedule 2)	<u>224,840</u>	<u>35,935,597</u>
Cash (used in) provided by investing transactions	<u>(3,071,800)</u>	<u>33,641,740</u>
Transfers to the Department of Transportation and Utilities (Note 1)		
Accounts receivable	473,845	-
Land	13,004,492	-
Gravel	806,264	-
Capital assets	21,307,100	-
Accounts payable and accrued liabilities	(1,867,113)	-
Surplus	<u>(3,872,895)</u>	<u>-</u>
	<u>29,851,693</u>	<u>-</u>
Net cash provided	22,924,340	42,010,592
Due to General Revenues, beginning of year	<u>(22,740,050)</u>	<u>(64,750,642)</u>
Due to General Revenues, end of year	<u>\$ 184,290</u>	<u>\$ (22,740,050)</u>

The accompanying notes and schedules are part of these financial statements.

TRANSPORTATION REVOLVING FUND

STATEMENT OF ASSETS, LIABILITIES AND SURPLUS

AS AT MARCH 31, 1998

	<u>1998</u>	<u>1997</u>
<u>ASSETS</u>		
Accounts receivable (Note 3)	\$ -	\$ 2,472,981
Gravel		1,433,910
Land	-	3,147,808
Capital assets (Note 4)	<u>-</u>	<u>21,211,132</u>
	<u>\$ -</u>	<u>\$28,265,831</u>
<u>LIABILITIES</u>		
Accounts payable and accrued liabilities	\$ -	\$ 2,288,690
Allowance for expected future losses on discontinued operations (Note 6)	-	110,000
Due to General Revenues	-	22,924,341
Surplus	<u>-</u>	<u>2,942,800</u>
	<u>\$ -</u>	<u>\$28,265,831</u>

The accompanying notes and schedules are part of these financial statements.

## TRANSPORTATION REVOLVING FUND

### NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1998

Note 1      Authority

The Transportation Revolving Fund (the Fund) operates under the authority of the Financial Administration Act, Section 21.1, Chapter F-9, Revised Statutes of Alberta 1980, as amended.

The Department of Transportation and Utilities (the Department) determines the role of the Fund. During the year, operations consisted of:

Central vehicle operations

Providing a fleet of automobiles and light vehicles rented to government departments.

Gravel and land

Gravel is acquired and processed to supply materials for construction and maintenance activities. Land is acquired for construction of highways.

On December 1, 1997, management decided to discontinue operating the Transportation Revolving Fund. The Transportation Revolving Fund ceased at March 31, 1998, and the following assets and liabilities were transferred to the Department of Transportation and Utilities at net book value.

Accounts receivable	\$ 473,845
Gravel	806,264
Land	13,004,492
Capital assets	21,307,100
Accounts payable and accrued liabilities	<u>(1,867,113)</u>
	<u>\$33,724,588</u>
Due to General Revenues at March 31, 1998	\$29,851,693
Surplus returned to General Revenues	<u>3,872,895</u>
	<u>\$33,724,588</u>

The operations of the Fund are being continued as operations of the Department.

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all government entities. The recommendations of the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting and Auditing Board where it is considered appropriate.

#### Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

#### Expenses

Expenses represent the costs of resources consumed during the year on the Fund's operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for employees' service relating to prior years.

Certain expenses, primarily for office space, legal advice, and banking services, incurred on behalf of the Fund by other departments are not reflected in the Statement of Operations and Surplus.

#### Assets

Financial assets of the Fund are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals as well as inventories held for resale.

Capital assets of the Fund are recorded at historical cost and amortized on a straight line basis over the estimated useful lives of the assets.



Note 2      Summary of Significant Accounting Policies and Reporting Practices (continued)

Information on amortization and the approximate useful lives of major equipment categories is as follows:

Category	Method	Rates
Automobile and light trucks	Straight-line	3 to 8 years

Gravel and land are valued at the lower of cost and net realizable value.

#### Liabilities

Liabilities include all financial claims payable by the Fund at fiscal year end, except long-term disability benefits and certain pension benefits which are reflected in the financial statements of Treasury Department on behalf of all government entities.

Due to General Revenues is the difference at fiscal year end between the value of assets held by the Fund and its liabilities.

Liabilities for accrued vacation pay are recorded in the Department of Transportation and Utilities.

Note 3      Accounts receivable

	1998	1997
Due from departments and agencies	\$ 73,322	\$1,297,526
Due from others	400,523	1,175,455
	473,845	2,472,981
Transferred to the Department	473,845	-
	<u>\$ -</u>	<u>\$2,472,981</u>

## Note 4 Capital Assets

Capital assets consisted of:

	1998		1997	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
<u>Discontinued Operations:</u>				
Fleet operations rental equipment	\$ -	\$ -	\$ -	\$ 343,674
<u>Continuing Operations:</u>				
Automobiles and light trucks	49,895,500	28,588,400	21,307,100	20,867,458
Total	49,895,500	28,588,400	21,307,100	21,211,132
Transferred to the Department	49,895,500	28,588,400	21,307,100	-
	\$ -	\$ -	\$ -	\$ 21,211,132

## Note 5 Net Income and Surplus

	1998	1997
Net income (loss) at March 31, 1998	\$ 930,095	\$5,687,981
Retained earnings, beginning of year	2,942,800	(2,745,181)
	3,872,895	2,942,800
Transferred to the Department	3,872,895	-
	\$ -	\$2,942,800

## Note 6 Discontinued Operations

On January 1, 1996, management adopted a plan to discontinue fleet, shop and stores operations and related support services. These operations ceased during the year ended March 31, 1997.

Note 6 Discontinued Operations (continued)

Assets and liabilities related to the discontinued operations at March 31, 1998, are:

	<u>1998</u>	<u>1997</u>
Accounts receivable	\$ -	\$ 676,298
Capital assets (net of accumulated amortization)	-	343,674
Accounts payable	-	187,073
Allowance for expected future losses on discontinued operations	-	110,000

Note 7 Budget

The budget for the year ended March 31, 1998 was included in the Province of Alberta 1997-98 Government Estimates. A more detailed budget, which was prepared by management, has been included in these financial statements for comparison with the actual figures.

Note 8 Salary and Benefits Disclosure

Information on salary and benefits of the Fund's staff required under the Treasury Board Directive 01-94, as amended, is included with information on the salary and benefits of staff of the Department of Transportation and Utilities.

Note 9 Related Party Transactions

The Fund's revenue from continuing and discontinued operations includes \$814,144 (1997 \$10,305,893) from sales and rentals to the Department of Transportation and Utilities and \$3,372,848 (1997 \$4,382,201) from sales and rentals to other Alberta government departments. Sales to other related parties were \$144,439 (1997 \$nil). In addition, the Fund paid \$1,880 (1997 \$nil) to Payment Systems Corporation (PSC), a joint venture with the Province of Alberta for computer processing.

Accounts receivable balance transferred to the Department included \$nil (1997 \$476,605) receivable from the Department of Transportation and Utilities and \$73,322 (1997 \$820,921) from other government departments and agencies.

Note 9      Related Party Transactions (continued)

Accommodation, legal, telecommunications and certain administrative costs, including salaries and wages have not been included in the Fund's expenditure. These costs have been recorded by the Departments that paid for the expenses on behalf of the Fund.

The Fund and its employees paid certain taxes and fees set by regulation for permits, licences, and other rights. These amounts were incurred in the normal course of business and reflect charges applicable to all users.

Note 10      Comparative Figures

Certain 1997 figures have been reclassified to conform to the 1998 presentation.

Note 11      Approval of Financial Statements

These financial statements were approved by the Senior Financial Officer and the Deputy Minister.



## TRANSPORTATION REVOLVING FUND

## SCHEDULE OF NET OPERATING RESULTS FROM DISCONTINUED OPERATIONS

FOR THE YEAR ENDED MARCH 31, 1998

	1998					1997
	Fleet Operations	Shop Operations	Stores Operations	Support Services	Total	Total
Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,244,964
Salaries, wages and benefits	31	(290)	-	1,828	1,569	1,878,099
Cost of sales	-	-	-	-	-	4,406,613
Amortization	-	-	-	-	-	1,357,539
Repairs and maintenance	226	-	-	180	406	620,156
Severance	-	-	-	-	-	1,499,440
Petroleum products	-	-	-	-	-	261,998
Travel and insurance	-	-	-	101	101	237,940
Data processing	-	-	-	-	-	282,667
Contractual services	765	-	6,000	(10,103)	(3,338)	56,763
Freight and postage	-	-	-	-	-	98,607
Telephone	-	9	-	5,365	5,374	99,099
Materials and supplies	-	-	-	9,403	9,403	18,407
Rentals	-	-	-	-	-	55,533
(Gain)/loss on disposal of capital assets	-	-	-	118,834	118,834	(933,161)
	1,022	(281)	6,000	125,608	132,349	9,939,700
Net operating results from discontinued operations prior to adjustment for expected future losses	(1,022)	281	(6,000)	(125,608)	(132,349)	1,305,264
Recovery of allowance for expected future losses on discontinued operations					110,000	3,548,904
Net operating results from discontinued operations	\$ (1,022)	\$ 281	\$ (6,000)	\$ (125,608)	\$ (22,349)	\$ 4,854,168

## TRANSPORTATION REVOLVING FUND

## SCHEDULE OF CHANGES IN FINANCIAL POSITION - DISCONTINUED OPERATIONS

FOR THE YEAR ENDED MARCH 31, 1998

	<u>1998</u>	<u>1997</u>
Operating Transactions:		
Net operating results from discontinued operations:	\$ (22,349)	\$ 4,854,168
Non-cash items included in net operating results:		
Amortization	-	1,357,539
(Gain)/loss on disposal of capital assets	118,834	(933,161)
Recovery of allowance for future losses on discontinued operations	<u>(110,000)</u>	<u>(3,548,904)</u>
	(13,515)	1,729,642
Decrease in accounts receivable	676,298	2,101,307
Decrease in inventories	-	3,984,055
Decrease in accounts payable and accrued liabilities	(187,073)	(3,017,003)
Net cash provided by operating transactions	<u>475,710</u>	<u>4,798,001</u>
Investing transactions:		
Proceeds from disposal of capital assets	224,840	35,935,597
Cash provided by investing transactions	<u>224,840</u>	<u>35,935,597</u>
Net cash provided	<u>\$700,550</u>	<u>\$40,733,598</u>



# **Gas Alberta Operating Fund**

---

Financial Statements

March 31, 1998





GAS ALBERTA OPERATING FUND

FINANCIAL STATEMENTS

MARCH 31, 1998

Auditor's Report

Statement of Operations and Deficit

Statement of Changes in Financial Position

Statement of Assets, Liabilities and Deficit

Notes to the Financial Statements



## AUDITOR'S REPORT

To the Minister of Transportation and Utilities

I have audited the statement of assets, liabilities and deficit of Gas Alberta Operating Fund as at March 31, 1998 and the statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Fund. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 1998 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

*Peter Valentine, FCA*  
Auditor General

Edmonton, Alberta  
May 22, 1998

*The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.*





# GAS ALBERTA OPERATING FUND

## STATEMENT OF OPERATIONS AND DEFICIT

FOR THE YEAR ENDED MARCH 31, 1998

	1998		1997
	Budget	Actual	Actual
	(Note 11)		
Revenues:			
Gas operations			
Sale of natural gas	\$41,648,000	\$45,602,485	\$44,870,394
Transportation revenue	300,000	320,305	305,779
Other revenue	30,000	13,785	8,446
Billing service revenue	270,000	230,282	271,021
Net proceeds from gas brokerage operations (Note 6)	-	(421,312)	(2,648,715)
	<u>42,248,000</u>	<u>45,745,545</u>	<u>42,806,925</u>
Expenses:			
Gas operations			
Purchase of natural gas	36,123,000	33,870,874	38,199,990
Pipeline operators' charges	4,800,000	6,985,466	7,128,391
Department owned pipeline charges	600,000	575,669	703,299
Emergency supply services	50,000	10,794	10,366
Well operators' charges	50,000	-	-
Administration costs (Note 7)	625,000	779,236	722,814
	<u>42,248,000</u>	<u>42,222,039</u>	<u>46,764,860</u>
Net operating results for the year	<u>\$ -</u>	3,523,506	(3,957,935)
Deficit, beginning of year		<u>(4,104,640)</u>	<u>(146,705)</u>
Deficit, end of year (Note 8)		<u>\$ (581,134)</u>	<u>\$ (4,104,640)</u>

The accompanying notes are part of these financial statements.

GAS ALBERTA OPERATING FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED MARCH 31, 1998

	<u>1998</u>	<u>1997</u>
Operating transactions:		
Net operating results for the year	\$ 3,523,506	\$ (3,957,935)
Non-cash items included in net operating results:		
Amortization	<u>21,994</u>	<u>51,197</u>
	3,545,500	(3,906,738)
Decrease (increase) in accounts receivable	5,514,104	(3,779,878)
Decrease in inventory	-	416,912
(Decrease) increase in accounts payable	<u>(1,937,517)</u>	<u>1,678,690</u>
Net cash provided by operations	7,122,087	(5,591,014)
Due to General Revenues, beginning of year	<u>(10,434,177)</u>	<u>(4,843,163)</u>
Due to General Revenues and cash, end of year	<u>\$ (3,312,090)</u>	<u>\$ (10,434,177)</u>
Due to General Revenues and cash represented by:		
Due to General Revenues	\$ (3,349,419)	\$ (10,434,177)
Cash	<u>37,329</u>	<u>-</u>
	<u>\$ (3,312,090)</u>	<u>\$ (10,434,177)</u>

The accompanying notes are part of these financial statements.

GAS ALBERTA OPERATING FUND

STATEMENT OF ASSETS, LIABILITIES AND DEFICIT

AS AT MARCH 31, 1998

	<u>1998</u>	<u>1997</u>
<u>ASSETS</u>		
Cash	\$ 37,329	\$ -
Accounts receivable	7,737,983	13,252,087
Capital assets (Note 5)	-	<u>21,994</u>
	<u>\$7,775,312</u>	<u>\$13,274,081</u>
<u>LIABILITIES AND DEFICIT</u>		
Accounts payable	\$5,007,027	6,944,544
Due to General Revenues	<u>3,349,419</u>	<u>10,434,177</u>
	8,356,446	17,378,721
Deficit	<u>(581,134)</u>	<u>(4,104,640)</u>
	<u>\$7,775,312</u>	<u>\$13,274,081</u>

The accompanying notes are part of these financial statements.



## GAS ALBERTA OPERATING FUND

### NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 1998

Note 1      Authority

The Gas Alberta Operating Fund operates under the authority of the Rural Gas Act, Chapter R-19, Revised Statutes of Alberta 1980, as amended.

Note 2      Purpose

The Fund acts as “gas broker” and is responsible for the supply of natural gas to rural gas distributors throughout Alberta. Through this brokerage service, rural gas cooperatives and other rural distributors are provided with uniformly priced and secure gas supplies. Gas purchases and deliveries are financed through the Fund and distributors are assessed a wholesale gas rate for their gas supplies. The Fund also enters into arrangements with distributors to provide customer billing services. Centralized billing allows these distributors and their customers to benefit from economies of scale as well as expertise in gas measurement and billing. Distributors which participate in the billing program are assessed a charge for this service.

Note 3      Dissolution of Operations

On October 2, 1997, management adopted a plan to discontinue gas brokerage and retail billing operations. These activities comprise the total operations of the Fund. Gas brokerage operations will cease June 30, 1998 and will be taken over by the private sector. Retail billing operations will be moved into the Department of Transportation and Utilities effective April 1, 1998 and will cease December 31, 1998. After this date, individual rural gas cooperatives will be responsible for this service.

Under the terms of the draft agreement to transfer operations to the private sector, the purchasing entity will assume the assets and liabilities of the Fund as at the transfer date. The purchasing entity will also be assigned existing contracts for use of Department of Transportation and Utilities owned pipelines that are integral to the operations of the Fund. Any surplus or deficit arising from gas brokerage operations will be treated as an adjustment in arriving at the final purchase price. No future losses on discontinued operations are anticipated.

#### Note 4 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all government departments agencies and funds. The recommendations of the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting and Auditing Board where it is considered appropriate.

##### Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by the year end is recorded as unearned revenue.

##### Expenses

Expenses represent the costs of resources consumed during the year on the Fund's operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for employees' service related to prior years.

Certain expenses, primarily for office space, legal advice and banking services incurred on behalf of the Fund by other Ministries are not reflected in the Statement of Operations and Deficit.

##### Assets

Financial assets of the Fund are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals as well as inventories held for resale.

Capital assets, recorded at historical cost, are amortized on a straight-line basis over the estimated useful lives of the assets as follows:

Computer hardware	5 years
Computer software	5 years

Note 4      Summary of Significant Accounting Policies and Reporting Practices (continued)

Inventory

Inventory is valued at the lower of cost and net realizable value.

Liabilities

Liabilities include all financial claims payable by the Fund at fiscal year end, except long term disability benefits and certain pension benefits, which are reflected in the financial statements of Treasury Department on behalf of all departments, agencies and funds.

Liabilities for accrued vacation pay are recorded in the Department of Transportation and Utilities.

Due to General Revenues is the difference at fiscal year end between the value of assets held by the Fund and its liabilities.

Note 5      Capital Assets

Capital assets are summarized as follows:

	1998			1997
	Cost	Accumulated Amortization	Net	Net
Computer hardware	\$ 179,079	\$ 179,079	\$ -	\$ 16,025
Computer software	236,332	236,332	-	5,969
	<u>\$ 415,411</u>	<u>\$ 415,411</u>	<u>\$ -</u>	<u>\$ 21,994</u>

## Note 6 Net Proceeds from Gas Brokerage Operations

Net proceeds from brokerage operations arise from sales of gas to:

	Sales	Cost of Sales	1998	1997
Regulated utilities	\$ 1,465,293	\$ 1,886,605	\$ (421,312)	\$ (2,648,478)
Others	-	-	-	(237)
	<u>\$ 1,465,293</u>	<u>\$ 1,886,605</u>	<u>\$ (421,312)</u>	<u>\$ (2,648,715)</u>

## Note 7 Administration Costs

Administration costs are comprised of:

	1998	1997
Salaries, wages and benefits	\$ 269,459	\$ 356,811
Freight and postage	129,774	108,323
Systems maintenance	87,769	98,361
Amortization	21,994	51,197
Materials and supplies	44,498	49,462
Data processing	25,075	31,874
Professional services	74,238	17,682
Telephone and communications	5,677	6,022
Travel	5,299	2,981
Employee termination costs	115,288	-
Repairs and maintenance	165	-
Miscellaneous	-	101
	<u>\$ 779,236</u>	<u>\$ 722,814</u>

## Note 8 Deficit

The deficit at the beginning of the year, was caused by a substantial rise in the market price for gas during the prior year. When the gas inventory was exhausted, the Fund's administrators purchased gas at current market rates for sale to distributors at rates established prior to the increase in market prices. When setting prices for gas sales for the current year, the Fund's administrators adjusted for the existing accumulated deficit.



**Note 9     Salary and Benefits Disclosure**

Information on salary and benefits of the Fund's staff required under Treasury Board Directive 01-94, as amended, is included with information on the salary and benefits of staff of the Department of Transportation and Utilities.

**Note 10    Lease Commitment**

The Fund is committed to an annual operating lease payment of \$300,000 until the year 2042, for the use of pipelines owned by the Department of Transportation and Utilities. This lease is expected to be assigned to the private sector entity assuming the gas brokerage operations.

**Note 11    Budget**

The budget for the year ended March 31, 1998 was included in the Province of Alberta 1997-98 Government Estimates. A more detailed budget, which was prepared by management, has been included in these financial statements for comparison to actual figures.

**Note 12    Related Party Transactions**

The Fund paid \$300,000 (1997 \$300,000) to the Department of Transportation and Utilities for rental of a pipeline network. In addition, the Fund paid Payment Systems Corporation (PSC), a joint venture partially owned by the Province of Alberta, \$3,315 (1997 \$nil). The Fund also paid \$5,828 (1997 \$nil) to other departments, funds or agencies for supplies and/or services during the fiscal year.

The Fund and its employees paid certain taxes and fees set by regulation for permits, licenses and other rights. These amounts were incurred in the normal course of business and reflect charges applicable to all users.

Accommodations, legal, telecommunications, personnel, and certain financial costs were provided to the Fund by other government entities at no cost.

#### Note 13    Uncertainty Due to Year 2000

The year 2000 issue is the result of some computer programs being written using two digits rather than four to define the applicable year. Government computer programs that have date sensitive software may recognize a date using “00” as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. In addition, similar problems may arise in some systems if certain dates in 1999 are not recognized as a valid date or are recognized to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the effect on operation and financial reporting may range from minor errors to significant systems failure that could affect the ability to conduct some government operations.

The government is currently working to resolve the potential effect of the year 2000 on the processing of date sensitive information by the government’s computerized information systems in a timely manner. The costs of addressing potential problems by modifying, replacing or retiring significant portions of computerized information systems are not expected to have a material adverse effect on the province’s financial condition. Despite the government’s efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the government, including those related to the efforts of customers, suppliers and other third parties will be fully resolved.

#### Note 14    Subsequent Events

The agreements to transfer the operations of the Gas Alberta Operating Fund to the private sector (see Note 3) and to assign contracts that are integral to the operations of the Fund were executed on June 17, 1998.

#### Note 15    Comparative Figures

Certain prior year comparative figures have been reclassified to conform to the current year presentation.

#### Note 16    Approval of Financial Statements

These financial statements were approved by the Senior Financial Officer and the Deputy Minister of the Department of Transportation and Utilities.









For additional copies of this report contact:

**Alberta Transportation and Utilities  
Business Management Branch  
1st Floor, 4999 - 98 Avenue  
Edmonton AB T6B 2X3**

**Telephone: (403) 427-2091**

**Fax: (403) 422-0232**

**To be connected toll-free, outside of Edmonton call 310-0000**

ISBN 0-7785-0264-3

Printed in Canada

September 1998

Printed on Recycled Paper



**SAFETY STARTS WITH YOU!**